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Daily Report

East Asia

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FBIS-EAS-94-251

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Japan

Murayama, Clinton To Discuss Ties, DPRK, Drugs

OW3012120794 Tokyo KYODO in English 1152 GMT
30 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 30 KYODO—Prime Minister Tomiichi Murayama and U.S. President Bill Clinton will discuss strengthening bilateral relations when they meet in Washington Jan. 11, government sources said Friday.

Murayama will visit the United States between Jan. 10 and 13.

A planned consortium to provide light-water reactors to North Korea, as well as bilateral cooperation on drug and environmental problems, are also on the agenda, they said.

Japan, South Korea and the U.S. agreed in mid-December to hold the first meeting on the consortium, tentatively called the Korean Energy Development Organization, in February, but they remain divided on the share of financing each country should contribute.

A future outlook and review of the Japan-U.S. Security Agreement will also be discussed, the sources said.

While attending a summit meeting of the Group of Seven (G-7) major industrialized nations in Italy's Naples in July, Murayama met Clinton and told him that Japan will stick to the security agreement with the U.S.

By promoting closer relations, Japan wants to help prevent any possible friction with the U.S. with the coming 50th anniversary of Japan's surrender during World War II to the U.S. and its allies on Aug. 15, 1995, they said.

The two leaders will also discuss how to cooperate for a summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum to be held in November 1995 in Osaka, they said.

Clinton may also express expectations toward deregulation in Japan, but the two leaders are not likely to talk about specific economic issues, they said.

No Accord Reached in Financial Talks With U.S.

OW3012110494 Tokyo KYODO in English 1050 GMT
30 Dec 94

[FBIS Transcribed Text] Seattle, Dec. 30 KYODO—Japanese and U.S. finance officials continued their talks through the night until early Friday [30 December], but reported no agreement on wider U.S. access to Japanese financial markets, a Japanese official said.

The two sides agreed to extend the talks, initially slated for two days until Thursday, to reach agreement by the end of the year as targeted, the official said.

The two remain at odds over U.S. access to the vast Japanese market for management of public pension funds. The United States is demanding more specifics in a Japanese proposal that would allow U.S. investment advisers to enter the market indirectly, the official said.

Under the proposal, a U.S. investment advisory company and a U.S. trust bank would be allowed to be incorporated for tax purposes in the Caribbean to form a union to manage pension funds put up by the bank at the adviser's discretion.

U.S. access to the Japanese pension funds management market has been a key sticking point in the bilateral financial service talks, one of the priority areas in framework negotiations.

Paper Urges Cautious Approach to TMD Strategy

OW3012121194 Tokyo ASAHI SHIMBUN in Japanese
24 Dec 94 Morning Edition p 5

[Editorial: "'TMD' Strategy Requires Cautious Approach"]

[FBIS Translated Text] To tempt Japan into adopting a Theater Missile Defense (TMD) strategy, the Clinton Government might say: "You can shoot down missiles carrying nuclear warheads. This is just the thing you need because of your defense-oriented policy. Your money and technology can make that dream come true."

Research funds will be included in the Defense Agency's [DA] draft budget for the next fiscal year for the purpose of studying whether or not Japan should join the planned TMD system under Japan-U.S. joint development. This means the DA has hesitantly taken a step toward joining the plan.

But we want the government to be patient. As tax payers, we have many questions about the TMD plan. The government has to be more careful in studying participation in the plan.

The origin of the TMD is the Strategic Defense Initiative (SDI) hammered out by the Reagan Administration in the 1980's. The spectacular SDI plan, which was designed to destroy the former Soviet Union's strategic missiles with advanced weapons deployed in space, lost its significance in the wake of the end of the Cold War, without becoming a technical possibility.

Currently, however, the world faces the threat of the proliferation of theater missiles and chemical weapons. The U.S. Government maintains that the TMD is the ultimate system for protecting the United States and its allies from that threat.

Apart from the case of the Gulf War and the Iran-Iraq War, missiles are proliferating, and it is a serious problem. When regional strife happens, the situation will be further intensified because it is difficult for strife-torn nations to exercise self-control such as in the former U.S.-Soviet balance of power.

For Japan, North Korea's suspected development of nuclear weapons and the fact that ballistic missiles that are believed to cover most of Japan are being tested are something that concerns Japan too.

However, although the TMD system is smaller than the SDI, we wonder whether it is really possible to detect with a satellite the launching of missiles from surrounding nations and shoot down all of them in a very short time. Even within the DA and the defense industries, there are skeptical views about the plan. In this sense, the government should keep in mind the lessons it learned from the SDI.

If the TMD plan proceeds under joint development, Japan would have to pay a considerable amount of money for the project, reaching some trillions by the beginning of the 21st Century when the project is scheduled to be complete. We wonder whether such expenditure is appropriate.

Geographically, Japan's industrial bases and urban cities are exposed to the threat of missile attack. We think it is more realistic to take diplomatic measures aimed at frustrating surrounding nations' designs than to rely on the possibilities of the TMD.

Although we should not have an optimistic view of the future Korean Peninsula situation, the situation will develop in a different way from now on because of U.S.-DPRK agreement. We cannot say that continuing to apply military pressure on North Korea by Japan and the United States in cooperation with South Korea is the best way to have Pyongyang open its door.

Japan's participation in the joint development plan with the United States and South Korea would lead to exercising the right of collective defense, and to damaging the policy of space development for peaceful purposes.

What makes us anxious is that the United States seems to be dissatisfied with Japan's defense share and with exchanges of military and general purposes technology.

It is not easy to eliminate the U.S. side's dissatisfaction. But Japan has to clearly tell the U.S. Government about what it can and cannot do in the eye of the law. At the same time, it is important to show the results of efforts it has made within its capacity to prevent the proliferation of nuclear weapons and regional strife.

Nevertheless, the atmosphere for having thorough discussions on the TMD before drafting the budget is highly rarefied in political circles, including the SDPJ, which originally opposed the TMD but later approved the budget allotment for research.

It was only half a year ago when the issue of imposing sanctions against the DPRK was hotly debated. It is still important to restudy Japan's security through discussions on aid to help North Korea introduce light water reactors, and discussions on the propriety of the TMD.

DPRK Normalization Offer Expected After Accord

*OW2912145794 Tokyo ASAHI SHIMBUN in Japanese
28 Dec 94 Morning Edition p 7*

[By Eiichiro Suganuma]

[FBIS Translated Text] Stalled normalization talks with the DPRK (North Korea) have begun to move toward resumption at informal levels. Uncertainties still remain in the present situation of North Korea, such as unsettled suspicions of North Korea's nuclear weapons development and delayed power succession of Workers Party of Korea [WPK] Secretary Kim Chong-il. But the government and the ruling coalition believe that, if the U.S.-North Korean accord on the nuclear issue takes root, North Korea will then seek resumption of normalization negotiations with Japan. Even in that case, however, the resumed negotiations are likely to face rough going since most of the problems between Japan and North Korea, such as "compensation" for postwar damages, have not yet been settled.

Uncertainty Over Attitude of the "North"

"We see no confusion in North Korea's policy-making process, but we are worried about the delay in Secretary Kim Chong-il's succession to the presidency," a senior official of the Ministry of Foreign Affairs [MOFA] said. Former North Korean President Kim Il-song passed away on 8 July. After almost six months, Secretary Kim Chong-il has not yet inherited the presidency. MOFA considers "Secretary Kim's health condition may be the key to reading the future."

North Korea's position is clear on the point that it attaches importance to the nuclear accord with the United States. U.S. Senator Frank Murkowski, who had strongly criticized the U.S.-North Korean accord, was invited to Pyongyang in mid-December, and the North Korean leadership clearly pledged "we will abide by the accord." North Korea is apparently trying to show a favorable attitude toward the United States. In response to a U.S. helicopter's invasion of the North Korean border on 17 December, Pyongyang returned the body of a U.S. pilot without unnecessary delay.

MOFA's analysis teams have been carefully studying whether North Korea's emphasis on U.S. policy functions as a positive factor for the resumption of the normalization talks with Japan.

Resumption in April?

If the U.S.-North Korean accord is implemented without problems, contracts for light-water reactor aid are expected to be signed as early as April 1995. Some quarters in MOFA believe North Korea will take action to resume talks with Japan immediately after that. In MOFA's analysis, North Korea's strategy is to normalize

relations with the United States and Japan to obtain equal standing with the ROK in the international community.

Regarding the resumption of normalization talks, MOFA still takes the position that "we have no intention to initiate the talks, but our door is always open if North Korea wishes to talk" (as noted by Deputy Foreign Minister Kunihiro Saito). However this does not mean no actions were taken by MOFA.

In 1994, MOFA made several diplomatic-level contacts with North Korea. It was confirmed by several media reports that Japanese Embassies in Washington and Beijing contacted North Korean diplomats on the telephone. It appears they did not directly discuss the resumption of the normalization talks, but a senior MOFA official said "communication deepens mutual understanding." Probably, MOFA obtained favorable responses.

MOFA's Expectations

The Japan-North Korea normalization talks started following the "three-party joint communique" in September 1990. The major points of dispute at the negotiations, held eight times in a two-year period starting in January 1991, were 1) interpretation of the three-party communique's clause on "compensation for the 45-year postwar period," 2) treatment of international demands for nuclear inspections, and 3) Japan's demand for investigation of the whereabouts of "Yi Un-hye," a missing Japanese woman who reportedly taught Japanese to terrorist Kim Hyon-hui.

Eventually, the normalization negotiations were broken off by North Korea's refusal to debate the "Yi Un-hye" issue. After that, North Korea switched the emphasis of its diplomatic efforts to negotiations with the United States using the nuclear issue as a bargaining chip.

Among the three points of dispute in the Japan-North Korea negotiations, the nuclear issue made some progress in the U.S.-North Korean accord.

MOFA intends to, when the normalization talks are resumed, accept North Korea's claims for property damages during and before World War II. On the other hand, MOFA has an optimistic view that "we can break the deadlock unless North Korea adheres to its position" (as noted by another senior MOFA official). The resumption of the Japan-North Korea normalization talks cannot be discussed separately from progress in North Korea's relations with the United States and the ROK.

Agency Issues Internal, External Situation Report

OW2912111094 Tokyo ASAHI SHIMBUN in Japanese
27 Dec 94 Morning Edition p 2

[FBIS Translated Text] On 26 December, the Public Security Investigation Agency issued a report entitled "Review and Prospects of the Internal and External

Situation," which analyzes the international situation, as well as moves by domestic extremist, rightist, and other groups. The following is the summary of the report:

The North Korean Situation

Although there were some concerns over the future of the Kim Chong-il regime due to such factors as his health problem, there is no problem with the unity within the party, the government, and the military. However, the outlook for reconstruction of the nation's economy is gloomy, and the government is expected to try to further tighten control over the people to suppress their complaints and discontent.

As for its relations with Japan, it is expected that the country will increase pressure on Japan to host symposia and to establish trade offices in each country in a bid to stir up public opinions regarding the issue of postwar compensation and to expand the trade amount, which is decreasing.

Extremist Groups

A total of eight terrorist and guerrilla incidents occurred this year, a decrease from the previous year. Each of them targeted an individual. Because each group is waging a campaign designed to win support from the laboring people who are notably confused with the policy shift by the Social Democratic Party of Japan, it is believed that they will continue to try to expand their organization in 1995.

Right-Wing Groups

As 1995 marks the 50th anniversary of the end of World War II, right-wing groups' reaction to ceremonies and events related to the war will be noteworthy. Especially, each group has strongly reacted against the Diet's move to approve a "resolution on the war responsibility and apology" and the government's plan to build a "peace prayer pavilion" (tentative name). Therefore, it is necessary to keep an eye on such reaction and activities criticizing mass media.

NTT, PRC Academy of Sciences To Cooperate

OW3012132494 Tokyo NIHON KEIZAI SHIMBUN in Japanese
25 Dec 94 Morning Edition p 5

[FBIS Translated Text] NTT [the Nippon Telegraph and Telephone Corporation] Data Communications and the Chinese Academy of Sciences [CAS], a state-run research institute in China, have struck a deal to cooperate widely in the information field. NTT Data Communications will support CAS technologically by providing the latter with technologies related to computers and multimedia. NTT Data Communications and CAS will carry out joint business activities to win contracts for large-scale communications projects, including projects to build on-line banking systems. NTT Data Communications, which won a contract in June to install a postal savings

system in Beijing, plans to make full inroads into China by using its tie-up with CAS.

While engaging in the research and development of natural science and the applications area, CAS has been involved in joint-venture businesses with foreign firms. It is the first time that CAS has formed such a tie-up with a foreign firm in the information field.

NTT Data Communications plans to strengthen its technological alliance with the CAS by developing a business information system for the latter and inviting Chinese researchers in CAS to Japan to participate in training programs in the fields of bank data communications and multimedia.

At the same time, NTT Data Communications intends to participate in information systems projects in China. NTT Data Communications is eager to participate in a "money card project" that the Chinese Government plans to implement in an effort to revamp the current nationwide banking system. As the first phase of the long-term plan, China plans to build an on-line system living major banks in 12 major municipalities including Shanghai and Beijing. NTT Data Communications hopes to win a contract for a project to build a system by using CAS' influence and business abilities.

The size of China's information market is still small. As the manufacturing industry develops, however, the need for expanding the information infrastructure is expected to grow. NTT Data Communications plans to use its contract for the postal savings system in Beijing as a stepping stone to move into China's postal market with CAS' help, while expanding its business to other fields. In September, NTT Data Communications set up an office in Beijing. NTT Data Communications will examine the possibility of setting up a joint-venture software company in China with its Chinese counterpart when its software business is on track.

Kawasaki Gets Container Ship Order From China

OW2612105894 Tokyo KYODO in English 1044 GMT 26 Dec 94

[FBIS Transcribed Text] Kobe, Dec. 26 KYODO—Kawasaki Heavy Industries Ltd. said Monday [26 December] it has received a 500 million dollar order for six huge containerships to be operated by a Chinese state-run company.

The vessels were ordered by an unnamed Panamanian shipowner and will be used by China Ocean Shipping Co. The first ship will be delivered at the end of 1996, Kawasaki officials said.

The vessels, at 280 meters long and 40 meters wide, will be able to carry some 5,250 containers.

In terms of capacity, Kawasaki's new vessel will top the world's largest ship that was built by a shipbuilder of South Korea's Hyundai Group and can carry 5,060 containers, the officials said.

Firms To Launch Glass-Making Venture in SRV

OW2812113794 Tokyo KYODO in English 0813 GMT 28 Dec 94

[FBIS Transcribed Text] Osaka, Dec. 28 KYODO—Nippon Sheet Glass Co. and Tomen Corp. said Wednesday [28 December] they plan to start manufacturing flat glass in Vietnam in 1997 jointly with the state-run construction materials production corp. Viglacera.

The companies said a new firm, Vietnam Flat Glass Co. capitalized at 42 million U.S. dollars, will be incorporated in the suburbs of Hanoi next March.

They said the venture will be the first full-fledged glass maker in Vietnam, where transition to a market economy is in progress.

Demand for flat glass for use in housing, buildings and automobiles is expected to grow, the companies said.

They said the new company will set aside about 70 percent of its output for the domestic market and the remaining 30 percent for exports to neighboring countries and Japan.

The initial year sales target has been set at about 3.7 billion yen, the company said.

Ex-Im Bank To Make Loans to Philippines, Pakistan

OW2212134594 Tokyo KYODO in English 1155 GMT 22 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO—The Export-Import [Ex-Im] Bank of Japan entered into a contract on Thursday [22 December] with the Philippine Government for the extension of four untied loans to Philippine state enterprises totaling 85.1 billion yen, the bank said.

The enterprises include Philippine National Oil Co. and National Power Corp.

The government bank also signed an agreement with the Pakistani Government to give an untied yen loan up to the yen equivalent of 110 million dollars to help finance a private-sector energy development project in that country.

The loan will be extended as part of a cofinancing arrangement with the World Bank, bank officials said.

The Ex-Im Bank also signed an agreement with a group of 19 Japanese and foreign banks in Japan to guarantee a 13,422 million yen syndicated loan from the same group to Hub Power Co.

Hub Power has been established specifically to design, construct, own and operate a 1,292 megawatt oil-fired power station at a site about 40 kilometers northwest of Karachi.

Opinions Differ Over Tightening of Radiation Law

OW2812083194 Tokyo KYODO in English 0625 GMT
28 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 28 KYODO—Experts discussing revision of the law to prevent radiation hazards law are divided over how to tighten limits on the amount of radiation which workers at nuclear plants may be exposed to in a year, government sources said Wednesday [28 December].

The Radiation Council, an advisory body of the Science and Technology Agency, is debating whether to lower the permissible radiation dose to 20 millisieverts a year, or set the maximum exposure at a total of 100 millisieverts for a five-year period, the sources said.

The maximum annual dosage permitted for ordinary citizens is just 1 millisievert.

The nuclear power industry wants the 100 millisievert ceiling, since it would allow radiation levels above 20 millisieverts in one year to be offset against lower levels in other years.

Medical experts, however, advocate the annual 20 millisievert ceiling on the grounds that it is difficult to keep track of total radiation received over a five-year period, and checks on workers are now carried out on an annual basis.

The current law sets a ceiling of 50 millisieverts a year, and personnel exposed to more than the permitted annual dose must be transferred to nonnuclear work, while their employer can be fined for negligence.

However, radiology experts say the current level is too high to ensure that workers do not suffer health problems.

The planned lowering of the permitted exposure to radiation exposure follows a revision of international standards in 1990, when the International Commission on Radiological Protection (ICRP) called for an annual average radiation exposure of 20 millisieverts over a five year period. It also said dosages should not exceed 50 millisieverts in a single year.

Members of the Radiation Council basically agree with the ICRP's recommendations, but opinions differ over how to shape them into law, the sources said.

According to the central register for nuclear workers, a total of 63 workers were exposed to annual dosages above 20 millisieverts in fiscal year 1992.

Reform To Strengthen Military Command Authority

OW3012043894 Tokyo ASAHI SHIMBUN in Japanese
26 Dec 94 Morning Edition p 1

[FBIS Translated Text] The Joint Staff Council [JSC] (chairman General Tetsuya Nishimoto) of the Self-Defense Forces [SDF] disclosed on 25 December that it

has compiled a draft reform program aimed primarily at strengthening the command authority of the JSC in peacetime.

Until now, the JSC has been permitted to exercise command authority only in the event of an emergency. The draft reform program would also enable the JSC to coordinate the SDF's peace-time work, such as disaster relief activities and the SDF's participation in UN peacekeeping operations (PKO) that have been carried out by individual armed services, and at expanding the JSC's command authority to enable it to directly command the three services in the event of emergency.

The Self-Defense Forces Law [SDFL] will have to be amended to allow the draft reform program to be put into effect, and the program is likely to stir controversy within the Defense Agency [DA] because it could result in increasing the power of the military authorities.

The SDFL currently limits the JSC to exercising command authority and the orders of the DA director general only in the event of emergency. The law also limits the JSC to exercising command authority on units formed by more two or more of the SDF armed services. In peacetime, the JSC has virtually no real authority.

The Defense Affairs Council, a private advisory body to the prime minister, proposed in August that the JSC's authority be strengthened to prepare for the SDF's full participation in PKO. In response, the JSC has compiled a draft reform program after studying the example of the dispatch of SDF personnel to Cambodia, the precedent of mobilizing SDF members for disaster relief, and how it should deal with emergencies. It is said that a general agreement was reached on the draft program at a 21 December meeting of the JSC.

According to a DA official, each service of the SDF has until now individually worked out plans for its duties and transportation when taking on PKO duties or providing humanitarian assistance abroad. Only once that has been done does the service then coordinate with the relevant DA bureau in charge of PKO and international humanitarian assistance.

The draft reform program makes it mandatory for the JSC to organize coordination among the three services and then serve as the focus for external coordination. The draft reform program also puts the JSC in exclusive charge of collecting information about countries where SDF personnel are to be sent for PKO duty. Until now, each service of the SDF collected its own information.

The draft reform program also gives the JSC the command authority to work out plans for disaster relief activities. In the case of sudden disasters, such as the earthquake that struck Nansei, Hokkaido last summer, each service of the SDF will exercise command authority and overall command authority will only be transferred to the JSC if and when it needs to coordinate among the three service branches.

In the event of an emergency, the JSC will hold the command authority to coordinate operations among the three services even if no combined units are formed. The JSC will define key elements of the command authority and orders of the DA director general and assist the DA director general in exercising the command authority and orders. The operation of specific units will be left in the hands of the Ground Staff Office, the Air Staff Office and the Maritime Staff Office.

To avoid reducing the authority of each SDF service, the JSC will limit the exercise of its command authority to the Ground Staff Office, the Air Command Authority and the Maritime Staff Office. Local commands and units will be put under the command control of the three services of the SDF, as currently happens. Personnel management and the right to make budget requests for the procurement of front-line military equipment will be held by the Ground Staff Office, the Air Staff Office and the Maritime Staff Office.

The question of strengthening the JSC's command authority has been debated many times, but the issue made no headway in the past because of the reluctance of the SDF's three services to reduce their command authority and the DA's intention to keep the SDF's command authority divided among the three services to keep the SDF under civilian control.

The JSC, which will discuss the draft reform program with relevant bureaus within DA, intends to strengthen its command authority by 1996, when the next plan for defense power buildup goes into effect.

The strengthening of the JSC's command authority has the potential to change the division of roles between the top military and DA officials. It seems likely, therefore, that the draft reform program will become one of the major topics in the debate on how best to rebuild the SDF.

Ozawa Contemplating U.S. Visit 14 Jan

OW3012075594 Tokyo KYODO in English 0746 GMT 30 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 30 KYODO—Opposition leader Ichiro Ozawa may visit the United States in mid-January to deliver a speech on Japanese politics and diplomacy, sources close to Ozawa said Friday [30 December].

The visit, however, depends on developments in Japanese politics, they said.

Under the tentative plan, Ozawa, secretary general of the united opposition alliance Shinshinto (New Frontier Party), which was launched earlier this month, will go to the U.S. on Jan. 14 and attend a symposium at Stanford University in California, the sources said. The trip would be for three days or so, they said.

Michael Armacost, a former U.S. ambassador to Japan and now a professor at Stanford University, invited

Ozawa to the symposium, the sources said. During his tenure as ambassador from March 1989 to July 1993, Armacost got along well with Ozawa, they said.

Ozawa is waiting to see if some rebel members secede from the ruling coalition partner Social Democratic Party to form a new party, the sources said.

Ozawa visited the U.S. in July and October. He met U.S. Vice President Al Gore, and other government and congressional leaders during the July visit. He made a keynote address at a Japan-U.S. grassroots exchange in October.

Some political analysts, however, said Ozawa may have had medical examinations in the U.S. for his chronic heart trouble.

Commentator Forecasts Party Regroupings in '95

OW3012125394 Tokyo TOKYO SHIMBUN in Japanese 23 Dec 94 Morning Edition p 3

[Article by political commentator Minoru Morita: "Future Political Situation Forecast"]

[FBIS Translated Text] With Shinshinto [New Frontier Party] inaugurated on 10 December, the established political parties are moving toward regrouping themselves into two parties. The results of a public opinion poll taken by Fuji Television in its "News 2001" program on 18 December showed the support rating of the ruling Liberal Democratic Party [LDP] at 18.0 percent, and that of Shinshinto at 19.0 percent, with the Social Democratic Party of Japan [SDPJ] gaining only 3.8 percent. The results of the poll showed Shinshinto surpassing the LDP in the support rating.

The results of a regular nationwide public opinion poll conducted for two days on 17 and 18 December by the TOKYO SHIMBUN and carried in its 21 December morning issue showed the support rating of the LDP at 28.9 percent, and that of Shinshinto at 20.7 percent, with the SDPJ gaining 10.8 percent. A nationwide public opinion poll conducted by the TOKYO SHIMBUN on the support rating of political parties before Shinshinto was inaugurated showed that the combined support rating of all political parties forming Shinshinto was 15.9 percent. This figure indicates that those political parties have increased their support rating by forming Shinshinto.

Shinshinto has yet to organize its local chapters and many of them are not yet functioning. Shinshinto has fewer lawmakers and candidates to run for the Diet than the LDP. The support rating of Shinshinto is expected to grow once progress is made in the party's efforts to organize its local chapters. It is certain that given the results of various public opinion polls, moves are afoot to regroup the established political parties into two political parties in the central political circles.

As for the outlook for the 1995 political situation, I am paying attention to the summer of 1995. It was in the summer of 1993 when the LDP lost power and the Hosokawa government came to power. It was in the summer of 1994 when the Hata cabinet resigned en masse and the Murayama government was inaugurated. The inauguration of the Murayama government meant the LDP's virtual return to power. What, then, will happen in the summer of 1995?

In April, unified local elections will be held, and in July, upper house elections. These two elections could become the direct cause of a change in government. The SDPJ will suffer a sharp decline in the number of successful candidates in the unified local elections. In particular, the SDPJ will face a total collapse of its fundamental organizations in major cities. The LDP-SDPJ coalition has succeeded in Nagata-cho [the area of Tokyo where the Diet and headquarters of political parties are located], but the people have yet to understand the validity of the coalition formed by the LDP and the SDPJ. The SDPJ chose the way of sacrificing itself in order to bring the LDP to power.

The SDPJ will suffer a crushing defeat in the unified local elections, and this defeat will affect the upper house elections. The SDPJ will be unable to avoid facing a crushing defeat. If the SDPJ suffers a crushing defeat, this would be a red light to Chairman Murayama's reelection. The SDPJ is a minority party, with one-third of the seats held by the LDP in the Diet. If the SDPJ suffers a crushing defeat both in the unified local elections and upper house elections, it would be extremely absurd to keep the chairman of the SDPJ in the post of prime minister. Prime Minister Murayama's position as chairman of the SDPJ would be in peril for three months from July when the upper house elections are held to September when his term as chairman of the SDPJ expires. His government also will face a crisis.

In June 1995, leaders of the LDP who support Prime Minister Murayama, and Prime Minister Murayama himself will be forced to decide whether to just wait for their political death or to look for a way out by calling a simultaneous holding of both houses of the Diet. If they opt for the former, they will try to postpone the lower house elections as long as possible. If they opt for the latter, they will meet with a decisive battle in the summer of 1995. I forecast that they will have no choice but to choose the latter.

The specific significance of the existence of the Murayama cabinet will disappear after the budget for fiscal 1995 is enacted in the Diet. The administrative reform and the relaxation of regulations cannot generate any immediate short term effects. Each lawmaker will scramble to make preparations for the elections. Neither Prime Minister Murayama, nor the LDP leadership has the ability to stem these trends. The possibility of dissolving the House of Representatives shortly after an ordinary Diet session is convened in early 1995 would be

slim because of the failure of the New Democratic Party within the SDPJ to form a democratic and liberal party. Shinshinto will move out to vie with ruling parties for power after the 1995 budget is enacted in the Diet.

The next lower house elections will be held under a new electoral system. Both the LDP and Shinshinto will vie with each other in the elections with the aim of forming a single-party government. What has occurred twice will occur thrice. In the summer of 1995, the LDP and Shinshinto will wage a decisive battle for power.

Difficulty of Changing Yamahana's View Noted

OW3012061094 Tokyo SANKEI SHIMBUN in
Japanese 27 Dec 94 Morning Edition p 1

[FBIS Translated Text] Prime Minister Tomiichi Murayama met Wataru Kubo, secretary general of Social Democratic Party of Japan [SDPJ], at the prime minister's official residence on the afternoon of 26 December. Explaining his concerns about the actions of the "New Democratic League [NDL]" (chaired by Sadao Yamahana), which has decided to set up a committee to prepare for the launch of a new party, Murayama asked Kubo to break the deadlock.

Kubo, though, explained his view that it will be difficult to persuade Yamahana and other members of the NDL. He said: "It is a very difficult issue."

Chief Cabinet Secretary Kozo Igarashi also attended the meeting. Prime Minister Murayama said: "What is the situation regarding the NDL? I am concerned about it."

Murayama then asked Kubo for his cooperation, saying: "I would like you to exert every effort to unite the party."

In response, Kubo said: "Of course I will exert every effort to unite the party, I am the secretary general."

Referring to the NDL movement, however, Kubo said: "I think the NDL takes a very serious view of the current situation within the party." This indicated that he feels it will be difficult to keep Yamahana and the others from seceding from the party.

At a news conference held after the meeting, Kubo commented on the NDL, which opposes an SDPJ decision to delay its extraordinary party convention until February. He said: "I think that after the meeting of prefectural representatives, the NDL realized it would be very difficult to hold the party convention in January."

He added: "I do not think the decision to hold the party convention on 11 February is the sole cause of the NDL's opposition."

He explained his view that the NDL opposes the decision because its members know that it will be difficult to mobilize the whole party behind the idea of forming a new party.

SDPJ Rebels May Not Quit If Demands Met*OW2912150294 Tokyo KYODO in English 1450 GMT
29 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 29 KYODO—The leader of a rebel group in the Social Democratic Party (SDP) [of Japan, SDPJ] of Prime Minister Tomiichi Murayama hinted Thursday [29 December] his group may drop its breakaway bid if the SDP leadership meets its demands over the proposed creation of a new party.

Sadao Yamahana, chairman of the New Democratic League (NDL), said in an interview with KYODO news service, "we have demanded that the SDP create a new party capable of receiving public support before the regular Diet session begins" on Jan. 20.

"We will emphasize our demand as long as the SDP leadership continues to refuse to present the contents of the upcoming party convention's agenda or counterproposals" to their demands, said Yamahana, former SDP chairman.

The SDP leadership earlier decided that Feb. 11 is the most appropriate date to call a party convention, but has not made any concrete decision on whether the convention would specify a date for the proposed transformation of the SDP into the new party.

The leadership has also irritated the rebel group by its failure to decide whether the convention should adopt the so-called "1995 Manifesto"—a set of policy tenets that Yamahana and SDP Secretary General Wataru Kubo have argued should be pursued by the new party of "liberals and democrats."

Political sources said Yamahana's latest remarks indicate his group is ready to withdraw its earlier threat to leave the SDP and set up the new party even without the bulk of other SDP legislators, if the party leadership promises to adopt the manifesto and specify a date for the new party's creation at the convention.

The remarks also indicate Yamahana's readiness to rescind his demand to see the formation of the new party in mid-January if the two demands are met, they said.

Yamahana called for meetings first with Kubo and then with Murayama to press his demands shortly after Jan. 6, when his group is slated to hold a plenary meeting.

Vote Disparity for Single-Seat System 2.22 to 1*OW2912083294 Tokyo KYODO in English 0809 GMT
29 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 29 KYODO—Disparities in the value of votes in different constituencies persist under the new single-seat constituency system for the House of Representatives, with a maximum disparity of 2.22 to 1 as of Sept. 2, the Home Affairs Ministry said Thursday [29 December].

Under the old multiple-seat constituency system, there was a maximum disparity of 2.83 to 1 recorded a year earlier.

The newly reformed electoral system comprising 300 single-seat constituencies and 200 seats determined by proportional representation was put into effect Dec. 25.

The ministry reported that the most overrepresented area, Shimane No. 3 constituency, had 193,213 registered voters, while the most underrepresented Tokyo No. 22 constituency had 429,857 voters.

This means that a vote in Shimane No. 3 constituency will be worth 2.22 in the Tokyo district.

The total number of voters increased 1.18 percent from a year before to 95.76 million as of Sept. 2.

The new boundaries are based on the 1990 national census, which showed the highest disparity was 2.14 to 1.

But the latest figures show the gap in vote weight has widened.

The number of constituencies with a vote disparity of more than 2 to 1 with some other district with a lower voter count has increased to 47 from 28 at the time of the census.

For the House of Councillors, the largest disparity was 4.99, down from a record 6.70 in the previous year.

The per-seat number of eligible voters was 234,952 in Shimane Prefecture, while in Tokyo it was 1,177,561, both as of Sept. 2.

Matsushita: Financial Policy To Be Maintained*OW2912142394 Tokyo ASAHI SHIMBUN in Japanese
28 Dec 94 Morning Edition p 11*

[Interview with Yasuo Matsushita, new governor of the Bank of Japan, by unidentified reporters of ASAHI SHIMBUN and other "news agencies"; place and date not given; first paragraph is ASAHI SHIMBUN'S introduction]

[FBIS Translated Text] Yasuo Matsushita, new governor of the Bank of Japan [BOJ], in an interview with ASAHI SHIMBUN and other news agencies, said the national economy now is on a "moderate recovery curve," but added the current monetary relaxation policy, which cut down the nation's official discount rate to the lowest level in its history, will be maintained for now. He cited the trend of the private sector of not making much investments as the reason for the need to be cautious. Matsushita assumed the post of BOJ governor on 17 December.

[ASAHI SHIMBUN] You have been a city bank top executive. What is your view of the banking institutions' part of responsibilities for the bubble economy?

[Matsushita] I have tried to tell the people concerned to do all they can to make sure the loan users' credit conditions are adequate, but I cannot deny that some loans were excessive. I hope to use the lessons learned from the bubble economy experiences in future operations of the monetary policy.

[ASAHI SHIMBUN] From your remarks in the first news conference on the present conditions and outlook of the economy, I felt that the Bank of Japan is being more cautious now than ever.

[Matsushita] In that first news conference, I said "the economy is recovering slowly, but it is necessary to carefully check and watch if the recovery will sustain and how fast it will go. I do not think my perception is basically different from that of the Bank of Japan in the past."

But what concerns me most is whether the economic recovery will grow strong on its own—pushed by the private sector investments in plant and equipment. Japan's economy is now undergoing a major structural reform, and its banking system (with so many bad credits to deal with) can be said to be only half through in cleaning up the aftermaths of the bubble economy. The private sector is wary and suspicious about the economic outlook, and generally careful about making investments. We should make a judgment on the future recovery, watching how the private sector investments in the plant and equipment proceed."

[ASAHI SHIMBUN] The conditions of economy have changed since September last year when the interest rates were lowered as an emergency measure. Do you still want to continue with the current monetary relaxation policy?

[Matsushita] The basic purpose of the BOJ's monetary policy is to provide support in helping alleviate industries' pains from economic readjustments, and to put Japan's economy back on the track of sustained growth without inflation. The interest rate reduction carried out last year was not really an emergency action. Actually, it was a policy adopted from a long-and mid-term viewpoint.

Commodity prices are stable, and various adjustment programs in the private sector are making progress. Now the economy is on a moderate recovery. To put the recovery on a solid footing, what we must do is to go by the current policy stand and to continue checking the economic recovery.

[ASAHI SHIMBUN] For the purpose of rescuing two credit unions in Tokyo which have gone bankrupt, the BOJ has decided to create a new bank capitalized by the BOJ itself. Will the BOJ continue to make such loans and investments as a way of maintaining the financial order in the future?

[Matsushita] The investment in the new bank is not aimed at rescuing any banking institutions, but is a very

extraordinary action considered critical in stabilizing and maintaining the banking system under the given economic situation. As far as the BOJ's loans and investments in the future are concerned, we will make judgment, reviewing given situations case by case.

The functions of the Deposit Insurance Organization of Japan are flexible in terms of their contents and scale. We do not see a need at this stage to have an organization like the Resolution Trust Corporation of the United States which was set up because that country's deposit insurance system was incapable of providing enough funds.

MITI Restructuring, Future Direction Outlined

Career Dissatisfaction Growing

952A0139A Tokyo NIKKEI BUSINESS in Japanese 24
Oct 94 pp 10-13

[Article by reporters Takero Kaketani, Takao Nakagawa, Takehiko Koyanagi, Shinichiro Kaneda]

[FBIS Translated Text] Monologue of a Young MITI Bureaucrat Subsection Chief

A university seminar I attended recently of an old boy association was the definition of pain. About an hour after it began, a former teacher slowly came up and asked, "How is your job at the Ministry of International Trade and Industry [MITI]?" Momentarily at a loss for words, it was finally all I could do to answer in a feeble voice that "it is so-so." Having always been a leader in seminar debates during my school days, it seemed to be an unexpected answer for the professor.

Next to him a friend interjected in a teasing tone, "Is MITI necessary anyway?" Although I tried saying something like, "Of course. Amid the hollowing out of domestic industry the importance of industrial policy is increasing and..." But inside, doubts about the significance of MITI's existence welled up.

The Age Had Changed to Dominance of Private Sector

When I think back to four years ago, when it was informally decided that I would be able to enter MITI, to which I had long aspired, after I scored in the upper ranks on the legal post national civil service class-I exam, I believed without any doubt that I had taken the first step toward my grand dream of leading the Japanese economy. I even felt pity for my friends who were being employed by private firms.

However, times were changing.

The present relationship between MITI and private firms is different from the era of high growth and has reversed itself to become one in which the private sector is clearly in a position of dominance. If one wants to try to create policy under those conditions, it will not be possible to sit around with one's feet propped up on one's desk; it will require making the rounds in industrial

circles for the purpose of gathering information even if it means bowing obsequiously.

Nevertheless, section chiefs who frequently dine with those in the industrial community are unable to discard the past attitudes of bureaucratic superiority and behave with an air of arrogance. Even when they ask to have a meeting, they plop down in the seat of honor and even make the other guy pour their drink. Because they do this kind of thing, they are resented by the private sector, whose true feelings they are unable to discern.

Young people are considering policy amid a lack of industrial information. This does not reflect the needs, etc., of industry. There are also some matters that initially would take about three years of thorough investigation. However, the cycle of personnel changes is short and occur generally in one to two years, and in the worst case, may even occur after six months. Under these circumstances, there is no time to be attentive to the needs of industry. Also, because we are not doing a proper follow-up investigation on the effects of policy, there is a sense of security that if fair policies are used there is no way that it can become a problem later. If this kind of thing continues, we will be completely cast off by the industrial world and will no longer be privy to information even if we beg for it.

Each year, about 25 career officials enter MITI. Their success is fast; they become subsection chief after their third year and deputy section chief in their fifth year. From among veteran deputy section chief in their 13th to 15th year, nearly half of those who were hired at the same time "Legal Examination Board members." These people, who are in charge of checking all MITI policies, are destined to become future deputy vice ministers. Then, in about the 16th year after entering the ministry, they are promoted to section chief.

The so-called "young people" in MITI who are deputy section chiefs and under, are virtually in charge of the important matter of drafting policy. Because they must devise policies that respond promptly to changes of the era, a place for activity is provided for young people who can be expected to have flexible ideas and who do not dwell in the past. However, the function of accumulating information for the purpose of anticipating changes in the times and in industry is declining, and this is interfering with the drafting of policies that can quickly respond to the era.

Even though there is a paucity of information, the section chiefs say things like "let's create some laws," indicating a loss of sober judgment. How is it possible to make laws even though there is no news about the industrial arena? In short, they are creating work for the sole ulterior motive of improving personnel evaluations. Traditionally, the rule of thumb at MITI has been that "people who do new things are rated highly." Therefore, regardless of what is needed, they want to launch a trial balloon no matter what.

Since laws are highly visible, section chiefs ponder from day to day some way to come up with laws. What appears as a result is what is called the "three-item set for laughter." Firms that are recognized by new laws submit a provision that special exception is applied by three laws related to small and medium-sized firms, such as the Medium and Small Enterprise Credit Insurance Law, etc. When it appears that the new law will indeed be effective, the potential of the bill being passed is increased substantially. The reason for the name is that when the new bill comes out and this "three piece set is inside," they say, "What, this again!" and burst out laughing. It could be called a mandatory item when creating laws.

Unlike in the past, recent MITI personnel evaluations do not necessarily give high ratings to those who do something new. If one creates a law, etc., that is short on results, it is possible to end up with a negative evaluation. In order to promote administrative reform or relaxation of restrictions, scrapping is a crucial job, so that would be rewarded by a positive evaluation. However, it is a fact that this sort of personnel evaluation has not sufficiently penetrated the ministry.

Also spurring the condition of insufficient information is the fact of being too busy in our day-to-day work. Especially recently, there are many trivial ministry battles which leave no time for meeting with industry people. There are fierce struggles with other agencies and ministries, and it makes one wonder why this sort of thing has to go on between bureaucrats.

Late Night "Paper Bomb" Battles With Other Ministries and Agencies

A typical example is something called the "paper bomb." When some government office is attempting to create a law or government ordinance, a fax containing about 100 items regarding the law or ordinance in question will be sent to them. The point is to send so much volume that the other party becomes unable to use its fax machine. Then when the other party sends its reply, we catch them in their own words and fax back another 50 or so items. This kind of thing will drag on and on for about a week or two, continuing late into the night.

As a matter of course, most of the questions are of little or no consequence. A standard question that is always included is one requesting word definitions, such as "what is your definition of the word 'information'?" Because we want to make certain that it does not invade MITI's jurisdiction, we try to clarify the boundaries indicated by the word.

When the question is finally condensed, it is then time for face to face negotiation. In most cases members at the deputy section chief level go out to reach a reconciliation and it ends with writing a memorandum that pretty much says "we will not infringe on each other's authority." It seems that acquiring these memoranda has significance as having defended MITI authority.

Although I think it is ineffectual work, it seems that in fact the one that began the 100-item question was MITI. As the "quarrelsome government agency," this is something that began for no particular reason in the course of picking fights with every other government agency. However, the "paper bomb" has now become a regular practice in Kasumigaseki, and other ministries and agencies are frantically engaging in it. Nevertheless, this is not so bad in other ministries and agencies since the number of ministry battles is limited, but in the case of MITI, which has a wide range of business, no matter what one does the "paper bombs" are sent flying. Other ministries and agencies are in a tough position because no matter what they do, they feel compelled to send off a "paper bomb."

The other day when I was sending a paper bomb with a new person in the middle of the night, he suddenly muttered, "Why is it necessary to do this sort of thing?" To be sure, even I had doubts about it not long after I entered the ministry. But at some point I was able to carry out the work in the manner of "Pavlov's dog." If we did not send paper bombs, somewhere inside my mind there was the fear that I would be told, "You committed the class-A war crime of not protecting our authority."

It is said that "one becomes more conservative with each passing year in a person's MITI career." Behind this is the fact that the personnel shuffle cycle is short and that, if one stays in MITI for 10 years without having cultivated a specialty, one becomes a MITI-type generalist, making a change of profession difficult.

The number of people who actually quit MITI is exceedingly low. Among career officials, it is in the single digits for veterans in the position of deputy section chief or lower in their 15th year (approximately 25 people in their first year). In most cases, they quit in the second or third year after entering the ministry.

Aftereffects remain of the shuffling incident that occurred last year with Industrial Policy Bureau Chief Masahisa Naito. There was strong dissatisfaction about the vice minister who did not take responsibility and allowed politics to intervene in personnel matters, and the atmosphere inside the ministry is gloomy. The recent frustration among the young is considerable. There have already been some among them who have declared their intention to "leave the ministry." Among some of the career types who entered the ministry in April of this year, there have already been some people who refused to show up at the ministry.

There are not a few people who also are thinking about making their bid in the world of politics in the next election. To be sure, if one is going to quit, the sooner the better. A friend who entered the ministry in the same term as I was lamenting that, "if you convert your salary at MITI, with all the overtime, to hourly wages, it is less than a part-time job at McDonalds." One has to be

prepared for the low monthly wages, but it seems stupid when you wonder if what you are doing is less useful than flipping hamburgers.

I understand that next fiscal year top scorers on the legal post national class-I exam will enter the ministry. They should not bother. Since the ministry is gathering together human resources with this much ability, if it is not quickly reformed to a MITI where those capabilities can be put to good use, it will become Japan's brain graveyard.

Deregulation Actively Promoted

952A0139B Tokyo NIKKEI BUSINESS in Japanese 24
Oct 94 pp 14-18

[Article by reporters Takero Kaketani, Takao Nakagawa, Takehiko Koyanagi, Shinichiro Kaneda]

[FBIS Translated Text] Since August of this year, mainly the Industrial Structure Policy Office of MITI's Industrial Policy Bureau has been engaged in continuing behind-the-scenes negotiations on how to proceed with deregulation with the Management and Coordination Agency, the Cabinet Internal Affairs Office, and others that are responsible for organization. Concerning the "five-year plan for promotion of deregulation" to be created during this fiscal year by the Administrative Reform Promotion Headquarters, this ministry's contention is that "we will set up a working sectional meeting in which private-sector committee members will participate and hold discussions," and "each ministry will officially announce the content when the draft is presented."

The Management and Coordination Agency's thinking was that it would be central in coordination of the drafts presented by each ministry about the area under its jurisdiction. However, executives at the Industrial Policy Bureau could not conceal their mistrust about coordination being done inside government alone. "If participation by people from the private sector is not allowed, this will not yield any bold deregulatory policy." According to these executives, "Foreigners should also be allowed to participate in the working sectional meetings." The aim of this is to make the discussions open so that discussion about deregulation can become energized.

Distribution of Internal Memo Alluding to Regulations of Other Ministries and Agencies

In May 1994 when the government was examining deregulation in four areas, including housing and land, it originated an internal memo entitled "Points on Relaxation of Regulations Concerning Distribution, Standards and Authentication, Import Procedures, etc.," and distributed it to concerned persons. The memo also pointed out "current regulation problems," "specific content of deregulation," and "effects of deregulation" concerning regulations of other ministries and agencies in such areas

as alcoholic liquor sales, rice sales, coastal shipping, cosmetics, finance and capital markets, etc.

This included, for instance, coastal shipping that regulates the amount of freight space by the scrap-and-build formula. In the memo, a "revision proposal was cited that "will ultimately abolish freight space, and for the present will lower by a large margin the ratio of scrap and build quantities." The memo gives as an "effect of deregulation" the fact that "it will promote the reduction of market entry costs and restoration of a free competition structure, which will contribute to market expansion."

The memo drew fierce backlash from all the ministries and agencies. It had violated the "unwritten rule of Kasumigaseki" of "mutually not meddling in the authority other ministries and agencies." However, this "rash action" is also an indication of this ministry's way of entering the area of "deregulation."

At present, MITI could be characterized as the "ministry of deregulation promotion." At the beginning of its "MITI Industrial Policy Fiscal Year 1995 Emphasis," it mentioned "promotion of economic reform by strengthening market functions," and submitted as the first item "promotion of competition by deregulation, etc., and rectification of the domestic and overseas price differential." "Emphasis" will be on "a drastic revision of government regulations and private-sector practices that support the existing social structure."

What became the model of this "emphasis" was the report issued in June 1994 by the Comprehensive Sectional Meeting and Fundamental Problem Subcommittee of the Industrial Structure Council, which is an advisory body for the MITI minister. The report calls for policies that, along with expanding and accelerating the improvement of social capital, are rooted in "early implementation of deregulation," "rectification of competition-limiting practices of the private sector," "smooth supply of funding to firms in the foundation and development stages," among others.

Industrial Policy Bureau Chief Tomio Tsutsumi emphasizes "the thing that is different from old policies is the fact of developing new frontiers instead of focusing on and cultivating specific industries." The Industrial Structure Council's report cited the change in the traditional concept of nurturing industry and indicated that the "demands" of society that are likely to expand in the future, such as lifestyle- and medical-related and information- and communications-related areas. Emphasis was placed on deregulation and fundamental improvements more than on measures for industry assistance as policy methods.

Throughout the postwar era of rehabilitation and high growth, MITI concentrated its energies on leading industries. As a means for achieving rehabilitation, while it is not as clear as the priority production that produced coal, steel, etc., in a concentrated fashion and the "push

for heavy and chemical industries" of the 1960's, in the 1970's and 1980's it presented its vision of "knowledge intensification," "creative knowledge intensification," etc., and there was a prevailing attitude of trying to cultivate industries that were in keeping with this spirit.

Although the vision for the 1990's issued by the Industrial Structure Council targeted such things as "contribution to the global community" and "realization of a comfortable lifestyle," a certain Industrial Policy Bureau section chief points out that "a mindset remained of cultivating industry." This section chief characterizes this year's report as a "new vision for the 1990's" that "clarifies the view from the demand side and also clarifies policy methods."

Feeling of Crisis Concerning Rapid Advance of Deindustrialization; Principle Goal Is To Strengthen Domestic Market Functions

Driving MITI's policy conversion is the "hollowing out" of industry that is advancing rapidly in the context of the strong yen. Says one bureau chief, "When I saw the domestic and overseas production trends of the machine industry, it sent a chill down my spine." According to a survey prepared by the Japan Machinery Exporters Association, while domestic production of electronics, machinery, and automobiles declined 8 percent from fiscal 1992 to fiscal 1994, overseas production increased 32 percent.

MITI's fear is that leading industries with international competitiveness are setting an example in moving their production overseas. An executive in the Industrial Policy Bureau asserts, "At this rate the only ones remaining in Japan will be the inefficient industries." Even if firms maintain competitiveness by expanding abroad, there is not a clue about what kind of new areas will absorb the glut in production capacity and employment that will occur domestically. Meanwhile, the aging of Japanese society is advancing swiftly.

In order to prevent this hollowing out, MITI has begun directing attention to the gap between domestic and foreign prices for intermediate input goods such as raw materials. The ministry investigated in November 1993 the price difference with the United States on 62 items, such as chemical products, petroleum products, electric power, etc. According to the survey, prices in Japan average 1.13 times those in the United States based on conversion at 110 yen to the dollar. At present, the ministry has expanded its list of items and is carrying out a second investigation.

The ministry gives as causes of the price difference between Japan and abroad such things as excessively high quality, the high price of raw materials and fixed expenses, trading practices that restrict competition, as well as high costs due to regulations. It will focus its efforts in its most recent investigation on "factor analysis" of high costs. Says an executive of the Industrial Policy Bureau, "By officially publishing the results, we

want to encourage debate concerning rectification of deregulation, restrictions on competition, and the like."

MITI's aim is to remove the causes obstructing the market function and make restructuring of industrial structure smoother by making inefficient industries efficient. On the other hand, it will pin its hopes on the emergence of rising firms via reform of capital markets, among other things. A young secretariat executive complains of a sense of crisis: "Although the principle aim in the past was to cultivate Japanese firms, in the future we will have to borrow the assistance of foreign firms or the Japanese economy as a whole will sink."

MITI's anguish runs deep, faced as it is with the vicious cycle of an expanding current surplus, strong yen, and industrial hollowing out. The Industrial Structure Council published estimates that said, "if economic structural reform is carried out, the economic growth rate will be about 3.2 percent annually by the year 2000, but if we maintain the status quo, it will be more like 1.6 percent." Says bureau chief Tsutsumi, "these projections were published with the view that things will really get bad if we do not carry out reform."

Aiming to fortify market functions, MITI is hastening revision of regulations and competition restrictions on areas under its own jurisdiction as well. The Agency of Natural Resources and Energy, which placed excessive emphasis on "stable supply" in the past, has also begun revision of regulations on electrical power, gas, and petroleum. An executive of the Cabinet Internal Policy Office says, "MITI's stance with respect to deregulation is genuine."

Revision of Exclusionary Measures in Antimonopoly Law Application

Being advanced along with deregulation is the revision of measures to exclude application of the Antimonopoly Law. The small and medium-sized business cartels established based upon the Small Enterprise Law numbered about 90, mainly related to textiles such as rayon fiber, at the end of March 1993, but the only one remaining is the industrial union that is organized from 130 metal tableware manufacturers in Tsubame City in Niigata Prefecture.

That metal tableware cartel is largely expected not to ultimately reapply at the end of the year when its current license expires. Currently, there is an annual shipping restriction on exports that had been established at 47 million dozen, but actual exports has dropped below the limit at approximately 30 million dozen. Because they are being jostled out of the U.S. market by Southeast Asian products, some of these businesses have begun to show signs of moving production to China.

Currently, although the Metal Tableware Industrial Union has been studying handling sometime after next year, the MITI Consumer Goods Industries Bureau estimates that "even if the cartel applies to have its

license renewed, it will likely not be approved." That is, "as long as their actual export quantities are below the shipping restriction limit, it will be difficult to persuade the Fair Trade Commission" [FTC]. The Small and Medium Enterprise Agency has also begun to look into revision of the provision governing Small Enterprise Law cartels.

In the past MITI has frequently utilized cartels to protect industry. Recession cartels incorporated after the revision of the Antimonopoly Law in 1953 numbered more than 10 in the recession after the second oil shock.

A certain top member of the FTC points out that "a characteristic of the post-bubble recession is that there were absolutely no cartel applications." Bureau Chief Hisashi Hosokawa of the Basic Industries Bureau, which has jurisdiction over raw materials in MITI, even proclaimed that "this is no longer an age in which cartels are used." As the internationalization of economics has progressed, the existence of cartels itself has lost all meaning.

The movement to eliminate systems and practices that restrict competition is promoting MITI to become like the FTC. In the past, MITI and the FTC were pitted against each other every step of the way on such occasions as the merger of Hachiman Steel and Fuji Steel, the introduction of recession cartels, etc. Even now their opinions are divided concerning things like the propriety of holding companies, etc., but this divergence is in the process of rapidly closing up because of MITI beginning to emphasize "competitive policy."

In June of this year, the FTC prepared guidelines entitled "Concerning Attitudes on Administrative Guidance From the Standpoint of the Antimonopoly Law." Although the guidelines warn against Antimonopoly Law violations and typification of administrative guidance that could possibly restrict competition, the person responsible says "when the draft was presented to the various ministries and agencies, the least amount of resistance was from MITI."

For MITI, which has little legal-based authority, administrative guidance is an important administrative method. In 1976 when the FTC created simple guidelines concerning administrative guidance, it had put up strong resistance, issuing an announcement that "the actual state of affairs will not change in the future either." The people in charge at the FTC are taken aback by "MITI's transformation."

"Partial Alliance" With Other Ministries and Agencies Indispensable; Numerous Hurdles in Balancing Industrial Policy

The biggest problem for MITI, which has changed to policies that seek to reform industrial structure using deregulation, is "feasibility," according to a secretariat executive. The areas where MITI most desires deregulation and competition promotion are the distribution

sectors and finance and capital markets, and both belong under the jurisdiction of other ministries and agencies, so MITI will not be able to finish the job by itself. Whether MITI's ideas will be realized depends on whether other ministries and agencies will accept MITI's reasoning.

An executive of the Industrial Policy Bureau Finance Section recently has been visiting the Ministry of Finance [MOF] on a daily basis. While the "MITI Industrial Policy Fiscal Year 1995 Emphasis" promotes deregulation, it mentioned that boosting the growth of rising industries is important by means of improving capital markets. To that end, there is a need to make the current over-the-counter stock market which employs strict public offering conditions more like NASDAQ in the United States, a market where it is easy for rising firms to procure funds.

MITI has pointed out that such points as substantive public offering criteria are even more severe than official standards, and is requesting that the MOF make improvements, but the attitude of the MOF is rigid on the grounds of "investor protection." Even if MITI were to try to create a "third market" that does not encroach upon the Securities and Exchange Law under the MOF's jurisdiction, using the weapon of franchise rights, the Ministry of Finance has the securities firms by their throats. Some at MITI have even begun to suggest that "rising firms will have no option but to go public overseas where there are fewer regulations."

In the Japanese administrative organization which is strongly colored by a vertical structure, MITI, which has general jurisdiction over industry, is a rather exceptional creature. If the cooperation of other ministries and agencies cannot be obtained, its deregulation policies will end in congratulations. An executive at the Industrial Policy Bureau says, "Political leadership is necessary to scale that wall."

Accompanying the expansion of areas that it is unable to complete by itself, MITI has begun to utilize "partial alliances" with other ministries and agencies. Taking its idea for development in assuming partial charge of a new welfare instrument to the Health and Welfare Ministry and last year passed the Welfare Instrument Research and Development and Universal Promotion Law under joint jurisdiction with the Health and Welfare Ministry. The majority of recent laws that MITI has participated in have been in joint jurisdiction with other ministries and agencies.

However, there is also the old impression among other ministries and agencies of it being the "quarrelsome government agency." Says an executive who has the experience of bitter confrontations with MITI concerning the use of money from the sale of NTT stock, "Just because it is down on its luck does not mean it can be forgiven so soon." He is also cautious about the prospect of cooperation: "There is not much need to work with MITI in handling the issue of aging society."

Overseas evaluation of MITI has also changed with the passage of time. Chalmers Johnson characterized MITI as the chief player in high growth in his book *MITI and the Japanese Miracle* published in 1982, but Daniel Okimoto, who wrote *MITI and High-Tech Industry* in 1989, gave more credit to the effect of the Japanese style of network society. Kent Calder whose *Strategic Capitalism* came out last year says private industry was the motivating force of growth.

China's National Affairs Institute in March of this year adopted "National Industrial Policy Outline Plan for the 1990's that places the furtherance of "supporting industries" such as the reinforcement of key industries such as energy, electronic equipment, and automobiles, as central. Persons concerned say that they "gave MITI policies considerable study." For developing nations seeking to catch up with leading industrialized nations, MITI is still a prominent model.

Meanwhile, MITI is furiously trying to escape from the "postwar 50 year system fatigue." Currently, when private firms have grown so as to break out of the national framework, the ministry is being pressured to liquidate its traditional industrial policy. In order to promote industrial restructuring, there is no longer any option left but to leave much of it to the market function.

However, as one young International Trade Policy Bureau executive points out, "Anyone can advocate reform by strengthening the market function. The problem is the fact that they cannot set forth any vision besides that." In other words, "there are innumerable tasks, such as drawing up the blueprint for the disposition of the international division of labor in Asia, but MITI as it stands is unable to handle that now." The era of playing catch-up is over now, but there is no established model.

There has never been a time like now when MITI's capacity to construct a vision has been so much in question, having parted with one after another of its administrative authorities. Says former International Trade Policy Bureau Councilor Shin Kuroda, now a Mitsubishi Corporation senior managing director, "If it becomes unable to indicate an appropriate vision, then it cannot be helped if MITI is dismissed as unnecessary." Unknown hurdles lie ahead of MITI, which has commenced with the "liquidation of the past" by structural reform of Japan's economy based on deregulation.

Role in Framework Talks Viewed

952A0139C Tokyo NIKKEI BUSINESS in Japanese 24 Oct 94 pp 19-21

[Article by NIHON KEIZAI SHIMBUN editorial staff writer]

[FBIS Translated Text] The Ministry of International Trade and Industry [MITI] is awash in "a feeling of victory" in the U.S.-Japan economic framework talks.

When viewing the framework talks by ministry, compared to the Foreign Ministry's management of government procurement and the Finance Ministry in charge of insurance having been settled with concessions by both Japan and the United States, Japan did not yield on automobiles and auto parts, which were under MITI's charge. The United States contented itself with applying the Trade Law's 301 clause (sanctions on the unfair trading practices of a partner nation) on automobile repair parts. If one assumes that MITI repelled the demands of the United States, it will certainly go down as the first such case in the history of trade negotiations between Japan and the United States.

Merely Picking Up Victories by the Errors of the Other Party; Negotiation Team Representative Even Left Before Completion

However, it would hardly be possible to make an assessment without talking about MITI's recent handling of the United States. In the trade strategy game that is becoming more and more fierce in the post-cold war world, all MITI did was to pick up by chance victories through errors made by the other side, and there were numerous points during the course of the negotiations where glimpses could be caught of MITI's limitations and confusion.

Since his 7 September visit to the United States, MITI Minister Ryutaro Hashimoto made as many as three round trips across the Pacific. MITI Minister Hashimoto is the man most cautioned against by the Clinton administration among the leading bureaucrats on the Japanese side. At the time of the inauguration of the Murayama administration he was mentioned in an internal White House report: "During the Gulf war when he was finance minister, he was a tough negotiator who tried to dicker over the war expense burden." Early on when he assumed his post as MITI minister, he turned to USTR Representative (U.S. Trade Representative) Mickey Kantor, whom he met at the Naples summit, and said, "We do not intend to negotiate with a gun (meaning the threat of sanctions on Japan) pointed at our temples." Representative Kantor shot back with, "Well, we have a gun held to our backs by the Congress," but MITI Minister Hashimoto returned sharply: "So I suppose that gun is also made in the United States after all." Inside MITI the new minister's rating rose sharply as "the man who got the better of that Kantor fellow."

The MITI executives supported this tough guy and attempted to rally from the automobile and auto parts negotiations in the framework talks. On 7 September MITI Minister Hashimoto flew to Washington to secure a breakthrough in U.S.-Japan framework talks and met with presidential aide Robert Rubin arranged by MITI Councilor Sozaburo Okamatsu. Presidential aide Rubin is chairman of the National Economic Council, which determines domestic and foreign economic policy, including talks between Japan and the United States. He is the most prominent economic bureaucrat who is

thoroughly acquainted with finance and macroeconomics and is recognized within the ministry as a proponent of free trade. For some time, MITI leaders have pondered "whether there is not some way to negotiate with the influential Rubin instead of Kantor who can only talk of numerical targets" and had been making overtures to the White House. In the face of the conclusion of the framework talks, MITI's hopes rose because Rubin agreed to a meeting.

However, presidential aide Rubin was brusque. "Minister Hashimoto, please meet with Finance Secretary Bentsen for matters concerning macroeconomics and Representative Kantor concerning micro trade issues." The discussion reached a climax toward the accompanying press, and there was a briefing in which the discussion seemed to become animated, but it seemed to be an event in which MITI Minister Hashimoto himself was quite dejected.

This did not just happen with presidential aide Rubin. In the auto and auto parts negotiations, the Commerce Department, which was supposed to be a friend, had disappeared from the front of the negotiations. Councilor Okamatsu's companion, Under Secretary Garten, since the U.S.-Japan summit conference in February when the framework talks were broken off, refused to meet with Councilor Okamatsu and, even when he visited Japan, Garten would choose to meet with leaders in the automobile industry in the private sector. Under Secretary Garten was a figure whose appointment had even been long awaited by MITI executives as he was "most acquainted with discussion in the under secretary class in the Clinton administration." However, this ended in disappointment. MITI Minister Hashimoto's party immediately met with Secretary of Commerce Brown and Under Secretary Garten upon their arrival in Washington on the 7th, but Under Secretary Garten, who has represented the U.S. negotiation delegation on the issue of auto parts said, "I'm going overseas now," and left his seat partway through. The discussion could not be advanced with Secretary Brown alone and Minister Hashimoto was snubbed.

Unable To Establish a Relationship of Trust or Connections, One Year and Three Months' Time and Effort Wasted

Even the issue of repair parts that was suddenly brought out as a last resort by MITI to break the auto parts negotiations was nearly an impossible fight for MITI. MITI Minister Hashimoto is an influential person who was also transportation minister. Riding on recommendations of those around him, MITI Minister Hashimoto broached the matter to Representative Kantor and Commerce Secretary Brown. "Making the automobile industry promise to purchase complete cars and parts is overstepping the bounds of government reach (the range of what the government can do). On that point, deregulation of repair parts such as the car inspection system, etc., is an area where government responsibility and

authority extend." The U.S. side also desires to avoid an all-out breakdown in the negotiations on automobile and auto parts. If sanctions are introduced against Japan in that area where so much money is at stake, it could give the market the impression that there is a "trade war between Japan and the United States," causing the dollar market to drop, which would present the danger of causing interest rates to rise. Domestic economic conditions for the automobile industry are favorable and the strong yen up to now has given it the ability to compete with Japan. A confrontation with Japan would yield little benefit.

Representative Kantor and Secretary Brown both agreed to this proposal. However, the United States made a counterproposal of abolishing the automobile inspection licensing company system that is preventing the use of foreign-made repair parts. MITI Minister Hashimoto resisted, saying, "This U.S. demand signifies abolition of the automobile inspection system which would endanger human lives." After three trips to the United States akin to somersaults until the end of September the automobile and auto parts negotiations broke down. After the breakdown, the Ministry of Transportation sympathized with the explanation of the U.S. side concerning MITI's handling, saying, "The U.S. side has never requested the abolition of the automobile inspection system as a whole," according to Vice Minister Michihiko Matsuo, expressing a difference with MITI's view.

Settlement of government procurement and plate glass was also a "miscalculation" of MITI's. MITI frantically gathered information about the status of negotiations between Representative Kantor and Foreign Minister Yohei Kono that lasted from the thirtieth to early in the morning of the first in Washington. Nevertheless, even at the stage at nine in the morning of the first, Washington time, when settlement of the negotiations came into view, MITI was convinced that "government procurement negotiations have fallen through by objective standards."

With regard to plate glass, it believed since 7 September information from a lobbyist that said "the United States brought up plate glass because it was looking for an easy sanction item to substitute for automobiles and auto parts." However, contrary to MITI's expectations, the Construction Ministry "promised to promote the use of foreign made material in public buildings."

Strictly speaking, in comprehensive talks that extended for a period of one year and three months, MITI was at a loss for what to do and wasted time and effort without being able to create a friendly relationship with the U.S. side.

Originally, MITI's trade negotiations could be summarized as "giving consideration to the United States." In the majority of trade negotiations in the 1970's with textile, steel, color televisions, and continuing into the first half of the 1980's with automobiles and machine tools, Japan unilaterally restrained exports to the United

States. Softening Japan's offensive to export to the United States, it was able to prevent heightening protectionist pressures in the United States. Politically, a worsening of the U.S.-Japan relationship was prevented by firmly upholding the U.S.-Japan security system. MITI, burning with a sense of mission, strongly commanded industry. During the latter half of the 1980's, it promised the United States a share in semiconductors in the Japanese market, and at the end of 1992 forced industry to accept numerical purchase targets of automobile parts.

However, the Clinton administration, which emerged in 1993, characterized trade policy as the most important point of foreign policy, saying, "Trade is national security." Thinking that consideration from the standpoint of the security alliance after the end of the Cold War unnecessary, the new administration set forth a mercilessly hard line policy with respect to trading partners that it considers has closed markets, especially Japan. The newly founded National Economic Council immediately addressed measures to reduce the budget deficit and trade strategies against Japan by creating "Japan Paper." The president gave Representative Kantor a momentous order to restore the competitiveness of key industries such as automobiles, gain the support of the U.S. business world which has increased self-confidence and technological innovation such as multimedia, etc.

Current Partners Are China and Asia and Not Japan; Lack of Policy Spurring Chill in Relationship

The instant the U.S. side said "consideration for United States" is not needed and it was thrown aside, the base upon which MITI stood crumbled. Even domestically, when it compromised with the Clinton administration which said targets and standards were necessary for measuring the openness of Japan's markets, MITI was hit with a letter of severance of relations from the industrial community. Even Asia was saying, "If Japan gives in on numerical targets, it will eventually extend to Asia." MITI, driven into the direst straits, struck by the artlessness of the trade negotiating style of Representative Kantor and company on the U.S. side, earnestly continued to refuse requests for numerical import targets and tried to push back.

Even if the automobile and auto parts negotiations were a "victory" for MITI, what does it mean? MITI at this time does not have a comprehensive strategy for trade and domestic industry. What will it do if relations with the United States, which is in the process of overwhelming Japan mainly in the areas of high-tech and multimedia? It is taking the lead among the government agencies in advocating "deregulation" but there is a contradiction when in negotiations between Japan and the United States it takes a defensive stance; not just vis-a-vis the United States, but lack of policy in the relationship with Asia and allowing the industrial structure to devote itself to exports causing instability in the exchange markets; optimism that says to make do with

the pain of industrial hollowing out with exports to Asia; being powerless to play a role in technological innovation, such as multimedia, ad nauseam...

Because it lacks a consistent strategy, the way it interacts with key Clinton administration people is naturally influenced by likes and dislikes. A feeling of trust is not being generated with the U.S. side, so it will fail to create personal relationships and connections. Information is also insufficient. As a result of that, the poor maneuvering and miscalculations seen at every turn of the comprehensive talks occur.

Not only do Commerce Secretary Brown and Under Secretary Garten, who originally had been allies, not give MITI the time of day, whenever the occasion arises, they say "China and Asia instead of Japan." Even National Information Council Asia Head Vogel cautions, "The United States is distancing itself from Japan." The U.S. business community is pouncing on China instead of investing in Japan. Although it was direct investment in the United States by Japan and others that filled back up the hollowed-out U.S. industry in the 1990's, that does not happen in Japan. Japan is isolated from the flow of investment that conveys people, things, money and technology. The self-righteous Foreign Ministry, which is obsessed with becoming a permanent member of the UN Security Council, and the Finance Ministry, which ignores the vitality of market economy and is obsessed with management of financial markets, cannot be entrusted with trade negotiations. However, in the pursuit of economic interests, MITI has become unable to lead trade negotiations of the "post-Cold War" period which, instead of military security, has become the principal battlefield of the world's political games.

Authority Over Firms Declining

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[Article by reporters Takero Kaketani, Takao Nakagawa, Takehiko Koyanagi, Shinichiro Kaneda]

[FBIS Translated Text] MITI has reigned over the industrial world as the command tower of Japan Incorporated. That divine power is rapidly fading amid the waves of deregulation and deindustrialization. As long as it does not establish a new sense of its existence, the day when that command tower collapses is near.

Testimony 1. Shogo Takebayashi, Chairman, Mitsui Petrochemical Industries

The lockstep of equipment abandonment represented by the Industrial Structure Law was not an improvement of the structure of industry, it was only a temporary supply and demand adjustment. It could be said that reliance on the convoy method backed by the Ministry of International Trade and Industry [MITI] was a factor in the preservation to this day of the weak structure of the petrochemical industry. In the future, there will be no

option but to make each firm strong by competition while being prepared for some weeding out.

It was 12 December 1993. In a room in the Fair Trade Commission [FTC] in the Kasumigaseki section of Tokyo the following conversation took place.

"The announcement of the merger will be three days later? This is the kind of thing you should have told me about sooner. When on earth are you going to talk to MITI?"

"I intend to talk with MITI tomorrow."

"Well..."

The person who visited the FTC was connected to Mitsubishi Petrochemicals and Mitsubishi Chemical, which resolved to announce a merger on 24 December. A person related to Mitsubishi Chemical reflects on that time: "We knew that once you tell a government office, that information will spread like wildfire. In order to have a successful merger, we had to keep it from the government until the last minute."

Large-Scale Merger Progressed Without MITI

In the merger in 1966 between Nissan Motor and Prince Motor Industries and the birth in 1970 of Nippon Steel Corporation, the postwar Japanese industrial community, especially in mergers between heavy industry firms, there was the "support" of MITI which had in mind the strengthening of international competitiveness. However, in the case of Mitsubishi Chemical, MITI was utterly passed over and played not even a supporting role.

The petrochemical industry is a typical industry that grew under the aegis of MITI. The fact that MITI was completely deprived of information concerning a large-scale merger in such an industry could be called an event that is symbolic of private firms distancing themselves from that ministry.

After the war, the world's chemical industry engaged in rapid raw material conversion from coal to oil. Taking immediate notice of this was MITI, which in 1955 conceived the "petrochemical industry cultivation plan" and advocated nurturing the petrochemical industry.

MITI, along with preferentially allocating to the newly born petrochemical industry the necessary foreign capital for the introduction of foreign technology and foreign equipment, gave preferential treatment by transfer of state-owned land, etc., and assisted the quick start-up of ethylene plants.

However, when ethylene centers (firms that make ethylene, which is the basic petrochemical product) reached 12 by 1970, excess equipment was a constant problem after that point due to lockstep equipment investment competition. Then recession cartels became a principal feature in petrochemical policy.

Beginning in 1972, when the recession occurred after the "Izanagi Boom," it intermittently performed supply and demand adjustment and recession cartels through administrative guidance. In 1978, MITI passed the "Provisional Measures for Stabilization of Special Recessionary Industry Law" and the petrochemical industry also became an industry that was specified under that law.

However, even though equipment was disposed of altogether, because each firm handled it in a way that resumption of operations would be possible, the structural equipment surplus was not solved. Thereupon, in the fall of 1982, former Industrial Policy Bureau Chief Masahisa Naito, who was MITI's Basic Chemical Products Section chief, called together the top members of the twelve petrochemical companies to depart on a inspection tour of Europe and guided the industry to an agreement concerning all-out equipment scrapping via company president meetings on sight. Meanwhile, the Provisional Measures for Special Industry Structural Improvement Law (the so called Industry Structure Law) was enforced for five years beginning in 1983 and a structure was created for reaching an agreement of company presidents by designating the petrochemical industry as subject to application.

However, when cartels exist, structural strengthening does not advance through selection and reorganization, and a structure of dependance is created. The petrochemical industry always had a problem with the difference in scale between itself and major European and U.S. firms. Nevertheless, MITI was unable to dare to subject it to market principles; in other words, it was unable to carry out the most effective policy of promoting reorganization by not recognizing cartels. In the meantime, there was a flood of imports into the Japanese markets and cartels by domestic firms became meaningless.

As the effectiveness of cartels waned, ironically the "rejection of MITI" by the petrochemical industry also accelerated. Symbolic of that is the 1 October birth of Mitsubishi Chemical, which went forward without MITI. This merger which spawned a chemical maker that would be included in the world's 10 for the first time in Japan, originally should have become the first step in cultivating a firm that can compete on even terms with the likes of a U.S. Dupont or Germany's BASF. However, a person connected to Mitsubishi Chemical grumbles, "A good deal of time is required for cost reduction and personnel reconciliation. For the time being, entering an expansion phase is a little while off. Although the merger was possible, it may have been too late for Japan's petrochemical industry to achieve an international level."

Testimony 2. Yutaka Kume, Chairman, Nissan Motor

In January 1992, when U.S. President Bush visited Japan, MITI asked that we add U.S.-made auto parts to our purchasing plans. Although we resisted, saying,

"Numbers will take on a life of their own later," in the end we had to agree. When observing recent U.S. demands on Japan, it is much to be expected. Instead, it would have been natural for MITI not to accept the request to add by the U.S. side in the U.S.-Japan negotiations this time.

Early in the new year of 1992, a telephone offensive from MITI executives was made to the residents of all the presidents of the auto makers. This amounted to a tearful persuasion that "we will not be able to persuade the United States unless you add U.S.-made parts to your purchasing plans." Automakers showed their parts purchasing plans to MITI at the end of last year, which had been predicated strictly on autonomous action. However, MITI's tone at the beginning of the year, according to Chairman Kume, was "more in the sense of having to fill in the blank sections of the document and present it."

As the industry had feared, the U.S. Government once again requested adding auto parts to purchasing plans in the U.S.-Japan framework talks in September 1994. However, it was also a learning experience for MITI. In the recent negotiations, according to MITI's Automobile Section, "Even though it is possible to request private firms to cooperate in showing us their purchasing plans, the assertion that there is no compulsory capacity was held to."

In fact, MITI has absolutely no authority to force private firms, with the exception of those in the energy field such as electric power, to do anything. Even concerning administrative guidance, there is no authority similar to being able to use sanctions in the event the firm does not comply, so in the end it becomes a mere request. "Guidance" of industries that have become distanced from MITI as is the case with automobiles, is currently almost impossible.

Independence From MITI Has Made Automobiles Stronger

During an age when MITI had authority concerning the roots of the activities of Japanese firms, including the right to approve introduction of foreign technologies (until 1968) and the right to allocate foreign capital (which was reduced by stages since the mid-1960's), the way in which that authority was used was in itself industrial policy and there was an indirect compulsory capacity due to that authority in administrative guidance. However, once MITI lost its two largest regulatory authorities of technology and foreign capital, it became powerless with respect to private firms. Even so, if the industry side is on the receiving end of favors from MITI such as technological development assistance, cartels during recessions, etc., the fear of losing those provides a certain degree of force to administrative guidance. At present in the automobile industry, none of that type of dependence exists.

Initially, after the war, the automobile industry became indebted to strong policies that established domestic

production systems by MITI through restrictions on foreign car imports, foreign capital restrictions, factory construction assistance, etc. But, when one looks at the response of industry regarding the automaker restructuring initiative set forth by MITI in 1961, one can tell that the industry was already steering clear of that ministry. It was a plan to condense the more than 10 automakers into three groups in preparation for import liberalization, but the only ones that merged were Nissan and Prince Motor Industry. Meanwhile, Mitsubishi Heavy Industries spun off its automobile division and established Mitsubishi Motor Industry in 1970 in a joint venture with U.S. Chrysler. In addition, Honda Motor, which had specialized in two-wheeled vehicles until then, challenged MITI's opposition head-on and in 1967, entered the four-wheel passenger car (initially light) market. MITI's scenario easily collapsed.

The subsequent rapid progress of the automobile industry occurred completely beyond the reach of MITI. After the export of automobiles to the United States became a problem, MITI handled negotiations between Japan and the United States while groping to discern how much guidance capacity it had with respect to the automobile industry.

Beginning in the 1970's, MITI several times conducted administrative guidance requesting moderation in automobile exports, but it did not have much effect until the government eventually agreed to voluntary regulations. What emerged as a result of that was the chain reaction problem of the massive trade surplus causing the strong yen which caused industrial hollowing out, which currently has become MITI's most important theme. While worrying about countermeasures for this industrial exodus, MITI was forced to emphasize the "government reach" argument to the United States. While policy issues became increasingly larger, the wall of self-contradiction is becoming thicker.

Testimony 3. Masafumi Kishi, Vice President, Mitsubishi Oil Company

I was thinking that the Provisional Measure for Special Petroleum Products Import Law (Special Petroleum Law) was an emergency measure to begin with and that it would be great if it lasted until the expiration. It cannot be denied that this kind of regulation had an aspect of slowing down the self-reform of petroleum distributor. First of all, petroleum industry laws placed excessive emphasis on stable supply becoming an industry protection law, so a structure which was created for distribution companies made them feel it was natural to exist inside a protective enclosure. Already, a segment of gasoline stations are seriously considering procuring products from overseas. It is time that the industry becomes forward looking on competition for the purpose of its survival.

The Agency of Natural Resources and Energy, in order to reduce Japan's energy costs, is hastening deregulation. The policy is clear, according to Agency of Natural

Resources and Energy Director Yoki Kawada: "The main principle of energy policy is inexpensive and stable supply, but until now it had leaned excessively toward stability. In the future we will place equal emphasis on the inexpensive aspect. For that purpose, it will be indispensable to introduce the principle of competition by deregulation."

Energy Agency Cuts Off Own Power

The Energy Agency is one of the few sections inside MITI that has regulatory authority based on each industry's laws. However, the current deregulation trend is attempting to shrink that last authority to a minimum. We are also told by MITI the Minister's Secretariat, concerning placement of the deputy section chief level, that "the highly talented personnel shift in the Energy Agency is clear." The Energy Agency is earnestly trying to cut off its own power.

The abolition in 1996 of the Special Petroleum Law, which severely restricts the import of petroleum products, became final in a Petroleum Council meeting report. Specific conditions, such as storage obligations of the importer, quality-control obligations, etc., will be settled in the future, but the import of gasoline products which in the past had been limited to distributors will be liberalized in principle.

Major deregulation of oil originally began in 1987 when former Industrial Policy Bureau Chief Naito was Energy Agency Petroleum Department Chief. Mr. Naito strongly advanced abolishing administrative guidance concerning each company's gasoline production plan, abolishing administrative guidance concerning crude oil treatment quantities, liberalization in principle of gasoline station construction, etc.

This time, abolition of the Special Petroleum Law and revision of the Volatile Oil Sales Industry Law have come into view. The abolition of the designated zone system (a system where the state determines zones limiting construction of stations in order to prevent excessive competition) to which many existing gasoline stations have been opposed in the past, will also be carried out.

What the current deregulation is seeking, according to Industrial Policy Bureau Chief Tomio Tsutsumi, "is, ultimately, to separate policies to secure supply during emergencies and the industry stabilization policies which up to now have been handled together by the energy administration and to shift the industry stabilization policy as much as possible to market principles." If economic regulations at the Energy Agency, which is the last bastion of the vertical structure, are eliminated, it will mean MITI's unique method of market intervention with respect to individual industries will disappear.

Testimony 4. Takuma Yamamoto, Chairman, Fujitsu

On the point of having skillfully used the principle of competition, the super LSI [large-scale integrated circuit]

union was a success. Much of the growth of Japan's computer and semiconductor industry will rest mainly on technological promotion policies. Currently, I do not think these types of cultivation policies for individual industries are necessary. Nonetheless, I believe that it will be important to launch themes that will become breakthroughs in technological development, and I mean the kind of themes that private firms are very unable to discuss as national objectives as is done in the United States, in order to create new industries and demand. Throughout the 1970's and 1980's, the phrase knowledge intensification became a theme of industrial policy. That is, industrial policy placed emphasis on development of computer and electronic industries. Fundamental to that was, to cultivate a Japanese computer so that Japan's computer market would not be usurped by IBM.

A special feature of MITI's method was to array computer makers into several groups, pay them subsidies, and make them compete in the development of a large-scale computer.

The Super LSI (Large-Scale Integration) Technology Research Union, inaugurated in 1976, divided the five domestic manufactured semiconductor makers into two groups and let them compete in development. The Fujitsu-Hitachi Limited-Mitsubishi Electric group and the Toshiba-NEC group engaged in cutthroat competition, and after the mid-1980's the Japanese makers would display overwhelming strength in the world semiconductor market.

Created Side Effect of Hardware Propensity

The key to successful super LSI is in the principle of competition. However, there were side effects. This is the point that Japan's technological development had a propensity toward hardware—hardware that used production technology instead of knowledge intensification, which was contrary to industrial policy themes. Strangely enough, the U.S. maker IBM was late in riding the wave of downsizing and the shift to software, so it was on the same course to ruin as Japanese computers, which, having centered on large general-purpose machines and hardware, also declined.

Even now, although technical development projects led by MITI's Industrial Engineering Institute and critical technology fields from the standpoint of industrial policy are innumerable, there are no major themes to be seen that would place the prestige of the nation on the line. It is for that reason that the private sector side is losing interest and hope in joint projects between the government and private.

Entering the 1990's, the gap between Japan and the United States in the strategy toward the information age is only widening. Behind this is the fact that MITI's policies leaned toward research and development assistance of existing industries and neglected the importance of ventures based on individual creativity. Only recently is MITI finally encouraging the cultivation of venture

firms as a most critical task. There are many tasks for which environmental improvement will require several years, such as reinforcing the role of over-the-counter markets. In the meantime, when one considers the fact that the difference in technological capacity between Japan and the United States will increase, it is possible that fulfillment will come too late and that the present way of handling may become completely past cure.

Each Saturday at 0900 at Fujitsu headquarters in the Marunouchi District of Tokyo, about 25 young mainstay employees dressed in ordinary clothes report to work. These employees from the trade department, commerce department, and inquiry department, who have numerous contacts with government offices, each week attend a policy study meeting on government offices sponsored by Senior Managing Director Michio Naruto.

Each week several members select a topic to report on and engage in debate. They are a tough bunch and the meetings include detailed data for discussion on such themes as "buy-American provision trends by state," "the impact of U.S. liberalism on Clinton administration policies," etc.

Senior Managing Director Naruto explains that the objective of these meetings is "to become able to discuss policy on an equal footing with bureaucrats." This study meeting has its origin in the opinion that "in the past, Japan's private firms have criticized and whined about the government whenever the opportunity arose, but this is being spoiled. In the future, we must be ready to provide information and knowledge to help people in government."

If this sentiment is interpreted in its extreme sense, it could also be taken to mean "bureaucrats can no longer be relied upon." For MITI, which has shifted its policy emphasis to the creation of market mechanisms predicated on the independence of firms, the fact of "not being relied upon" is proof that these policies are showing some effects and is something to be very happy about.

Says one executive of that ministry, "MITI by nature is like a handsome man." That means "although he has no money or power, he was relied on." To be sure, even after losing its highly visible regulative authority, it has been able to maintain for many years a divine power by being "relied upon" by the private sector. Once that divine power is gone and after the market has begun to function well, will MITI still be needed after all is said and done?

The answer to that depends on whether MITI can not just debate about adjusting Japan's economic structure but to come up with effective policies for that purpose and be able to realize them as government policies.

Ministry Struggles To Restructure

952A0139E Tokyo NIKKEI BUSINESS in Japanese 24 Oct 94 pp 29-33

[Article by reporters Takero Kaketani, Takao Nakagawa, Takehiko Koyanagi, Shinichiro Kaneda]

[FBIS Translated Text] Twenty-Two Young People Do Battle for Reform; Putting Brakes on Declining Functions Due to Reorganization

The unique young people's decisionmaking organ at the Ministry of International Trade and Industry [MITI], the "Legal Examination Board," has embarked on reform. Each day is a continuing bitter struggle in a bid to change old attitudes about personnel and organization still remaining in the ministry. Their greatest tasks will be reorganization of prototype sections, the decline in functions, including information-gathering, etc., is noticeable.

The Legal Examination Board room is on the west side of the 11th story of MITI. During the morning on Tuesday and Thursday of each week, the Legal Examination Board, which consists of 22 deputy section chiefs, gather in this room. The cases can be broadly classified as *ho* [information], which refers to reporting and *to* [discussion] which means debate, and during debate time one can hear vigorous exchanges that even include jeering and discussions about trade policy and industrial policy fundamentals. Recently, this happened in arguments concerning import restriction measures on textile products.

There was a protectionist argument that "if imports are not restricted through the MFA (Multi-Fiber Arrangement), the textile industry will collapse," and an opposing argument that "it would obstruct free trade," which was followed by an alternate proposal of "it should be handled by dumping duties."

Amid circumstances in which, according to Fuji Spinning President Sadao Hirose, "restructuring is not able to catch up with the sudden increase in imports from Asia, so at this rate there will be a total hollowing out of industry," how can the principle of free trade be adhered to? The discussion became heated because this was an important theme that concerns the future administrative stance on trade and is not limited to textiles. There were even some bitter words such as, "you idiot," answered by, "what does idiot mean?" Although it cannot be characterized as dignified, it is a forum where the 22 young people are able to engage in a battle of their true feelings on policy arguments.

Now a "Restructuring Promotion Committee" Composed of Young People in Their Late Thirties

The Legal Examination Board is a decisionmaking organ unique to MITI in that it is not found in other ministries or agencies. Its members consist of the top deputy section chiefs (overall team leaders) of the Ministers Secretariat General Administration Section, the Secretariat Section, the General Accounting Section and the top deputy section chiefs of each bureau's General Administration Section. In their late thirties, they are young; of the current board members, the group that entered MITI in 1980 consists of three people and there are 19 in the group that entered the ministry in 1981.

They are consulted on everything, including major budgetary requests, bills, the content of white papers, etc., and only those items that get the green light can pass on to the General Affairs Section Conference that is made up of the three Secretariat Section chiefs and section chiefs of each bureau's General Administration Section, after which it is then referred to the departmental council.

These days, the Legal Examination Board is MITI's "restructuring promotion board." The main presiding members are top deputy Naruto Nagao of the Secretariat General Administrative Section and deputy section chief Seiji Hagiwara (both entered the ministry in 1980) and, along with making significant changes in deregulation, they are even attempting to promote reform of the attitudes and organization of MITI bureaucrats. In fact, we have been told that, up until about the time the bubble collapsed, the Legal Examination Board had lost its former vitality. However, out of a sense of crisis from the fact that effective measures could not be taken despite pressure to handle the structural recession, the awareness of the members increased.

The viewpoint of their policy deliberation can be summed up as promoting exhaustive deregulation and abolishing intervention in individual industries. Says deputy Nagao, "At our level, attitudes have become completely unified and the key will be how to make this penetrate the ministry."

With the repeal of the designated zone system for establishment of gasoline stations as prescribed by the Volatile Oils Sales Law and the Provisional Measure for Special Petroleum Products Law that were determined in a July Cabinet conference, for instance, a trend was created. Partly because oil distributors with the exception of Mitsubishi Oil and Idemitsu Kosan were advocating opposition to the repeal, the mood inside the Agency of Natural Resources and Energy was that repeal would be difficult.

However, the Legal Examination Board concluded that, "although stable supply is important, Japan's gasoline prices are too high, even excluding the tax. We should head in the direction of lowering prices by increasing efficiency." From that point, deputy section chiefs, including Legal Examination Board members, made many attempts at persuasion of the Energy Agency executives and, finally, succeeded in building a consensus in the direction of liberalization.

In the case of MITI, personnel selection for those who are deputy section chiefs and under is determined by the secretariat section Legal Examination Board members. Because Legal Examination Board members who are deputies decide personnel affairs concerning other deputies, the section chiefs have absolutely no say about it. Says one board member, "If a deputy somewhere were to make a policy that intervenes in a specific industry, he would be talked down by people including secretariat section Legal Examination Board members who have

personnel authority, so they should know that such a way of doing things will not pay off."

Among them, Secretariat Section deputy Hagiwara is known as being a radical advocate of deregulation and MITI reform in energy and trade policy. The fact that such a person was put in a post with personnel selection authority could be said to be an endorsement of the desire for reform among upper level MITI people, including the Secretariat General Administration Section chief and the Secretariat Secretariat Section chief.

However, it is true that it takes time to change attitudes in any organization. It is said that, right in the middle of an argument with a certain section's subsection chief about deregulation, deputy Hagiwara was confronted with the following counter argument. "You talk about the need for deregulation, but I do not believe you will be rated highly from the standpoint of personnel if you are doing that sort of thing." Hearing this, deputy Hagiwara was also taken aback, but was able to persuade him, saying, "I am here for the very purpose of looking to that," but he says this made him realize that the road ahead is long.

The members of the Legal Examination Board explain as follows. "In the baby boomer generation are people who are imbued with outdated administrative ideas and people who can only criticize, and many of those at the deputy and under age are people with a strong desire to protect themselves. If both upper and lower levels are the same, MITI will cease to be necessary." In order to transmit reform-mindedness to younger generations, the deputies of each year group hold a meeting on about a bimonthly basis that is attended by the younger deputies in which there is continuing discussion concerning how MITI should be.

The Legal Examination Board does not become obsessed by the vertical relationship or by walls between organizations. It possesses a culture that encourages individual play and is an organization that only MITI could have. For instance, in the Finance Ministry, where the vertical chain of command is well defined, the individuality of bureaus is pronounced. It is difficult to think of its system as one where one can say something on another person's turf and have the result of such debate formally yield results.

Free discussion that respects individual opinions works as a plus in devising new policies. Nonetheless, to the extent that controls are diluted, there are times that it can effectively harm the organization. The incident in which former Policy Bureau Chief Masahisa Naito was virtually forced out of his job due to personal attacks that began with mysterious documents could be considered as a negative aspect of that culture becoming manifest. The Legal Examination Board, which possesses authority, should probably listen to a prototype bureau executive, who says, "I would advise against creating a mood in which micro policy seems almost unnecessary out of excessive emphasis on horizontal policy."

Revision of "Prototype Bureaus and Prototype Sections" by Industry; Creating One and Eliminating Another According to Needs

A critical theme that is debated mainly by Secretariat General Administration Section Legal Examination Board members is called "prototype bureaus and prototype sections," which is the reform of the organization corresponding to separate industries. MITI has set out on exhaustive deregulation and introduction of market mechanisms, but there are almost no prototype sections that are directly intervening in the behavior of firms, excluding areas where some control remains from the standpoint of stable supply such as energy, etc.

At the present time, the main job of prototype sections is creation of a mechanism for the purpose of promoting the information age in government and firms, radical relaxation measures for restructuring of declining industries, support of manufacturers in making environmentally friendly products, etc. The job of drawing up blueprints for cartels and reorganization after preparing detailed demand and supply forecasts has become a thing of the past, but many sections have systems based on just that. One Machinery and Information Industries Bureau section chief says, "any prototype bureau that is not handling trade friction should not be busy."

Currently, Secretariat General Administration Section Legal Examination Board members are holding hearings from the overall team leader (top deputy section chief) of each prototype section concerning their work content and workload. At the time of this writing at the end of September, about two out of three hearings have been completed among prototype sections.

The purpose of the hearings is to eliminate sections whose administrative needs have eased for the purpose of newly establishing fair trade investigation sections. At MITI, according to Secretariat General Administration Section Chief Hirobumi Kono, "We will ask the Management and Coordination Agency to newly establish a special trade investigation section in the Trade Bureau beginning in fiscal 1995." However, the current national civil servant staff control system places severe constraints on both the number of staff and number of organizations in each ministry and agency. In order to newly establish one section, it will virtually not be approved if another section is not first eliminated.

In order to handle the more than 100 annual cases of dumping duties investigations, in contrast to the U.S. Commerce Department which has staff of approximately 300 people, there is no specialized staff for that purpose in Japan's government. At this time, the Consumer Goods Industry Bureau Raw Materials Spinning Section and the International Trade Policy Bureau Trade Duties Section are investigating dumping charges against Pakistan thread yarn in response to an appeal from the Japan Spinners Association, but they are already swamped. The condition is so dire, according to Raw Materials Spinning Section Chief Hiroyuki Ishige, "If we get one

more dumping investigation case, this section and the International Trade and Tariff Section are going to blow a gasket." For this reason, they are being pressed by the need to establish specialized sections.

Seeking Upgrading of Information-Gathering Capacity; Bold Rearrangement and Reorganization Come Into View

When emergency administrative needs occur, one method is to revise work mainly of the prototype sections and to make adjustments for busy areas and slow areas by adding one here and cutting one there. If there is a need to promote areas that would still be overwhelmingly busy even if their staffs are increased, such as the Industrial Policy Bureau New Enterprise Promotion Office, etc. to a section, it is also possible to repeatedly add and subtract sections.

Even so, the substance of the question of the nature of prototype section organization does not lie in the difference between being busy and not busy. Even if the necessary work among existing duties is continued, amid the advance of structural changes such as deindustrialization, like it or not, the question in the future will be whether prototype sections are able to provide services for industry or whether they should even exist.

Many section chiefs of prototype sections respond in the following way to the mood of revision that includes arguments that prototype sections are not necessary. "There has never been a time like now for MITI when a vision has been in such high demand by private industry." Instead of a macro type of subject like a "vision for the 1990's," there are increasing chances of being asked by managers for a semi-macro vision, such as "consideration of how industry should handle deindustrialization and the shift of production overseas due to the strong yen."

It is a fact that managers are wracking their brains about how to recover sagging international competitiveness without hurting employment and how to proceed with the shift overseas. It is understandable that there would be requests during meetings for MITI to give instructions in that regard. However, no matter how strong the expectations may be, whether MITI can provide an effective vision or not is another question. Says Nonferrous Metals Section Chief Toshio Segai, "There are many times that we are asked how to deal with the shift to production overseas, but in order to really be helpful, high-level consulting is necessary. Conditions such as variety of product specialization, repayment rates for domestic plans, etc., differ considerably and giving specific recommendations that are common to each firm is very difficult. There is tension each day."

Concerning the role of prototype sections, says former Vice Minister Yuji Tanahashi, Industrial Research Institute adviser, "It is to communicate information to horizontally situated bureaus." Horizontal bureaus such as the Industrial Policy Bureau, International Trade Policy Bureau, etc., must have appropriate information

to devise policies and new enterprise cultivation plans for the purpose of structural adjustments for deindustrialization, maintaining employment, etc. This points out that the function of prototype sections of knowing the manager's mind and the work site, providing precise feedback to horizontal bureaus and removing biases such as industrial ego, etc., will become important.

However, as was seen in the first section, the prototype section functions of information-gathering and translation are declining remarkably. At present, companies that produce CD-ROM (read-only memory that utilizes compact discs) are under the jurisdiction of the Ministry of Posts and Telecommunications, and are trying to establish a corporate entity called the Federation of Multimedia Title Producers in October of this year. Partly due to the fact that software is by nature under MITI's jurisdiction, executives in the Machinery and Information Industries Bureau applied gentle pressure to several production companies that participated in establishment, saying, "We would like you to remain a voluntary organization. Otherwise, we will no longer be able to listen to the opinions and voices of production companies."

This provides a glimpse of the attitude that, if you are a nonprofit corporation of our ministry, you can bring us information, but if you come under the jurisdiction of another ministry we will not be able to listen to your information. Keiichi Konaga, former MITI vice minister and president of Arabian Oil, says, "Debate must be done on an equal footing with corporate people," but it is probably necessary to have the concept of going wherever necessary to stock up on information no matter which ministry has jurisdiction.

At present, a noted technical official by the name of Mr. Yoshihisa Hashimoto is a visiting professor at Saitama University. Mr. Hashimoto, who has experience in the posts of Casting and Forging Products Section chief, Medium and Small Enterprise Agency Engineering Section chief, etc., is known as an authority in the production sites for foundries, etc. "Since, by just sitting around in a chair, all most all the information one gets comes from newspapers, over the course of seven years I went to the production sites of 1,566 companies and met with their managers." Even now, Mr. Hashimoto is well acquainted with the competitiveness and technical strengths of Japan's casting and forging products industry. While it depends on the industry, prototype sections in the future will not make it unless they have this sort of motivation.

How will the Secretariat and the Legal Examination Board position the prototype sections? Revision of the work of the prototype sections that is advancing currently will not be a gradual reform of adding one here and eliminating one there; it will also be an investigation of attempting to increase mobility by wide-ranging rearrangement and reorganization of prototype sections. However, the more boldly this attempt is, the greater the

likelihood of backlash coming from the reflex to protect organization. There is a large gap between MITI's vision of a flag-waving role in deregulation of Kasumigaseki as a whole and organization protection.

Young Bureaucrats View Future

952A0139F Tokyo NIKKEI BUSINESS in Japanese 24 Oct 94 pp 34-35

[Discussion by MITI officials Takehiko Kojo, Takeo Hirata, Hiromi Yano; place and date not given]

[FBIS Translated Text] **Toward a Country in Which It Is Easy for Firms To Stay; The Courage To Discard the "Perfect Score Principle"**

We questioned deputy section chiefs who are the field commanders about their attitudes toward policy and organization. It is a realistic perception that pursuing perfectionism in handling deindustrialization, etc., is unreasonable. They stressed the need for increasing cooperation in the vertical and horizontal organization and preparation of a market that is suited to the activities of firms.

Participants (honorific titles omitted): Takehiko Kojo (entered the ministry in 1984), deputy section chief, Machinery and Information Industries Bureau Electric Equipment Section; Takeo Hirata (1982), deputy section chief, Industrial Policy Bureau Industrial Structural Section; Hiromi Yano (1983), deputy section chief, Agency of Natural Resources and Energy Petroleum Department Refining Section.

[NIKKEI BUSINESS] MITI is changing its paradigm from an interventionist industrial policy in individual industries to emphasis on market mechanisms. Meanwhile, it is embarking on a change of proposing macro policy such as new social overhead capital. What are your impressions concerning these matters?

[Hirata] I have just returned from a tour of duty at the Brazilian Embassy, and I felt that there was a dramatic spread of awareness throughout MITI of the importance of market mechanisms and the rectification of Japan's high-cost constitution. Four years ago, there was not much being said about those things.

[Yano] Even within the MITI administration, there are various regulations on oil from the standpoint of security, and although previously there was a system of controlling the crude oil processing limits of individual oil companies, in 1987 there was a council report and things are headed in the direction of liberalization. Now, deregulation is being advanced more and efforts to further introduce market principles are being made.

[Kojo] Nevertheless, it must not be forgotten that MITI works in the closest proximity to the markets inside Kasumigaseki. The most critical thing is to firmly grasp what is happening on the scene in each industry and

economy. Only when those roots are established does it first become possible for macro or semi-macro policies to be meaningful.

An Age in Which Firms Select Countries

[NIKKEI BUSINESS] How is the change of stance from individual industries to industry as a whole and economics as a whole being manifested in your daily work?

[Yano] My impression is that the petroleum department, for instance, previously seemed to think with a peculiar logic, but I believe there is now a stronger perception that necessitates thinking with a wider viewpoint about the international competitiveness of Japan's economy.

[Kojo] The range of my post encompasses household electronics and heavy electrical equipment, but household electronics in particular is rapidly moving production to countries where production conditions are favorable. In other words, since this is the age in which firms select countries, we do our job with the attitude that creation of an environment in Japan where high-value-added enterprises are possible is essential.

[Hirata] If firms are leaving because Japan is not a place where firms want to continue their projects due to restrictions and lagging social capital improvements, I think that is unfavorable deindustrialization, and that is not the kind of country I want Japan to become. Yet, it is not a bad thing if they make reforms on their own and still leave the country in observance of economic principles.

[NIKKEI BUSINESS] Specifically, what are some of the points that affect the way you proceed with your work?

[Yano] My feeling is that information-gathering and analysis have become more difficult than in the past. In the age when heavy industry was central, it was possible to get a good understanding by asking someone in the steel industry if one want to know how to promote growth in the steel industry. However, a discussion about what should be done to make Japan's markets more appealing is an extremely abstract discussion. I do not think it is such an easy matter as asking a person in a specific industry and immediately understanding it.

[NIKKEI BUSINESS] Then does that mean it has become difficult to generate beneficial effects in actual administration?

[Hirata] No one will get 100 percent in handling the current issue of deindustrialization, for instance. They might get 30 points or 80 points, but it is necessary to have the courage to decisively carry on, striving at least not to get 0 points. Bureaucrats have always been elite types who fear getting less than a perfect score, but that sort of perfectionism should probably be discontinued.

Now there are no countries that will become paragons and the question of how to cultivate new businesses and

create jobs while dealing with this industrial hollowing out is a problem that is common to advanced industrialized nations.

[Yano] In the high-growth period, I think it was relatively easy to obtain a national consensus. For instance, there was not much opposition to suggesting we spend money in order to promote the growth of heavy industry. At present, though, if you do one thing, the United States gets angry, and then if you try to do something else, it causes problems for medium and small businesses. There is an aspect in which it has become impossible for government officials to judge when something must be decided amid trade-offs.

[NIKKEI BUSINESS] Recently, opportunities to work with other ministries and agencies are increasing. What about the difficulties in coordinating your opinions?

[Hirata] I had the experience of creating a Lifetime Learning Promotion Law with the Ministry of Education, and there were individual differences in points of view. We clashed on the stronger portions and then allowed it to simmer over time. It is important to spread this way of doing things in creating policy by the exchange of knowledge and not in power struggles in Kasumigaseki as a whole.

[Yano] I think it is natural, viewed from the standpoint of other government offices, for there to be criticism of MITI's policies. Even we are not omnipotent supermen, and there are probably some criticisms that we would agree with. There are times when we may even be talked down. To be frank, there are times when we become frustrated. However, any government office that considers policies that can have an impact on Japan's economy as a whole, will probably experience frustration, but that does not mean we should give up.

The More Successful the Policy, the More Caution Is Required

[NIKKEI BUSINESS] MITI has prototype bureaus that are viewed vertically per each industry and horizontal bureaus such as the Industrial Policy Bureau and the International Trade Policy Bureau. There is now constant debate on what to do about this vertical and horizontal relationship.

[Hirata] It is difficult to decide whether the people handling problems of deregulation and correction of trade practices should be in each prototype section or whether there should be that many offices within the bureau to take charge of that. Also, the new work of upgrading the foundation of firms that are suddenly arising is separate from jobs existing inside the bureaus. There is controversy concerning whether this should be placed in the prototype sections or whether a specialized post should be created. There are also opinions that it would be best to establish a deregulation section or a trade practices rectification section in the Industrial Policy Bureau.

[Yano] This is an exceedingly difficult question, and there are various opinions. The vertical structure enhances information but the core problem is how to pick that up and reconfigure it horizontally. I do not know what the prototype bureaus are saying, but considered from the standpoint of the horizontal structure, I think it would be easier to determine in this way, but in the end, it does not circulate well.

[Kojo] There is also the reverse flow. I think that household electronic products will have an "environmental burden index" in the future, in addition to price and performance, which will become a factor in purchasing. How to achieve that kind of society, in other words, how to inculcate horizontal structural themes such as environment in business. Those types of functions are also important to us.

[Yano] One other thing is that I think it was possible with the vertical organization to be self-culminating a long time ago. However, now, vertical people must also be capable of horizontal concepts and vice-versa. I think perfecting that would be a task.

[NIKKEI BUSINESS] What points do you think MITI should change in the future, if any?

[Yano] One of the things those of us who have been in the ministry for the same term length often discuss is that the more successful the policy, the more caution that must be taken. I believe there are a lot of people who said that MITI's past policies went well. We also have pride and our seniors may be even more so. One should not think that something successful in the past will also succeed in the future.

Editor's note:

There are still people among MITI bureaucrats who refer to their organization as "my company." If they are going to advocate a free and generous government agency, they should first stop using such words that are associated with this "MITI family ethic." MITI's leaders say they are championing the move to promote deregulation and a consumer-oriented economy as a new policy direction. However, as long as they do not first make hard personal sacrifices, it will be difficult to motivate other government agencies in Kasumigaseki. Whether MITI is seriously prepared for there to be an "explosion of Kasumigaseki reform" will be confirmed by actions, not words. If they are going to complain that their ability to collect and analyze leading management information on firms and industry has declined, then they should desperately learn by requesting private firms to allow them to study under their auspices. MITI is situated in the closest location to Japan's manufacturing industry which possesses international competitiveness, and in that sense, it is the most favored government agency in Kasumigaseki. If it does not set forth a farsighted vision and hone international competitiveness in foreign trade negotiations, it will likely be forsaken by the nation.

Returns on Pension Fund Investments Discussed

952A0232A Tokyo KINYU ZAISEI JIJO in Japanese
28 Nov 94 pp 48-50

[Article by Manjiro Kagiri: "Is the Expected 5.5-Percent Rate of Return on Pension Funds Investment Appropriate?"]

[FBIS Translated Text] Work is underway on revision of the public pension system. In the area of revising pension fund management methods, the types of investment management institutions are being expanded and a study is underway to revise management regulations. However, no public debate has been conducted on the expected rate of return—which serves as an important basic rate for calculations used in connection with fiscal management of pensions and which has remained unchanged for 40 years—as to whether it should stay at 5.5 percent or whether that rate of return is appropriate. One wonders if the pension system can be maintained with the type of management that seems to rely on divine influence and assumes seemingly farsighted views reflected in such remarks as, "current low interest rates will not last forever."

Welfare Pensions Are Important Public Assets

Welfare pensions and national pensions are typical public pensions, but welfare pensions dominate the two in terms of size. As a basic rule, the national government is responsible for the control and management of welfare pensions. Exceptions are made in the case of welfare pensions applicable to employees of businesses and organizations that meet certain conditions. In such cases, approval is issued for the establishment of a welfare pension fund, independent system operation, and funds investment trusts handled by trust banks and life insurance companies.

Funds held by welfare pension funds total 35 trillion yen, which when combined with the 97 trillion yen of welfare pension funds managed by the national government in accordance with basic rules, comes to a huge 132 trillion yen. This article will focus on that segment of the welfare funds which are managed by the national government.

All of the 97 trillion yen in welfare pension funds are entrusted with the Pension Fund Management Division of the Pension Bureau, Ministry of Health and Welfare, are combined with funds such as those from postal savings and postal life insurance and are then used as fiscal investment and loan program funds. Further, from 1986, a part of the welfare pension funds were loaned to the Pension Welfare Service Public Corporation via the Pension Fund Management Division and essentially invested in the securities markets.

In other words, welfare pension funds are characterized by the fact that they are important assets of the public wherein the public contributes premiums to be used as future annuities, does not merely accumulate such funds,

but enables funds to be used for the purpose of building Japan's economic infrastructure including roads, railways, and housing.

Lagging Funds Management

Funds deposited with the Pension Funds Management Division earn deposit interest. The deposit interest is equivalent to interest (fiscal investment interest) collected as the cost of loans to the fiscal investment agencies.

Now, the question is, how are fiscal investment interest rates determined? At one time, fiscal investment interest rates were prescribed in government ordinances as a part of the policy interest system. However, conflicts were created as interest rates were decontrolled and decisions based on inflexible government ordinances caused fiscal investment interest rates to stagnate at a high level. Accordingly, after March 1987, government bond interest rates were used as the criteria. Thus, presently, as a general rule, interest rates are tied to movements in market interest rates.

On the other hand, insurance premiums for welfare pensions are calculated on the assumption that they can be invested at rates exceeding expected rates of return. The expected rate of return has been unchanged at 5.5 percent for the 40 years since 1954. However, if funds are invested at rates which exceed the expected rate of return, the fiscal status of the pension funds reflect a surplus, whereas investments bearing returns below the expected rate of return will cause pension funds to reflect a deficit.

Now the question is, in actuality, what is the relationship between expected rate of return and fiscal investment returns, that is, deposit returns.

After flexibility was applied in the determination of fiscal investment interest rates, such rates exceeded the expected rate of return only during the high interest period of 1990 and 1991, which was an aftereffect of the bubble economy. In the remaining five years, investment returns on newly collected welfare pension funds did not reach 5.5 percent. Further, it is definite they will not reach 5.5 percent in fiscal year 1994.

The funds investment environment faces difficulties of this nature and the fiscal situation for pension funds is about to face a tight situation.

Distortions in System To Become Public Burden

Three different methods are conceivable as measures to cope with the above-mentioned fiscal straits faced by pension funds.

One method is to manipulate fiscal investment interest rates to higher levels, which is already being done. A comparison with government bond returns, which serve as the criteria for fiscal investment interest rates, shows that government bond coupons have fallen from 7.9

percent to 3.4 percent since 1990, but that fiscal investment interest rates have fallen from 7.9 percent to 3.65 percent, reflecting a difference of 0.25 percent.

However, there is a limit to any effort to maintain fiscal investment fund interest rates at high levels. As anyone can sense, it is difficult to sustain any effort to maintain rates that are 0.25 percent higher in an environment of drastically falling interest rates. Further, it is obvious that the maintenance of high interest rates for fiscal investment funds can be a burden on fiscal investment institutions. Further, the additional interest cost burden will ultimately become a burden for the public in the form of higher usage fees for roads, railways, and housing built with fiscal investment funds, or in the form of higher taxes as a result of subsidies issued from the general account budget. It will be a simple case of converting pension fund fiscal bills to fiscal investment funding bills.

A second method would call for the isolation of the pension fund system from the fiscal investment system, investment of all pension funds in the securities markets, and would aim for investment results that exceed the rate of return for fiscal investment programs. Investments handled by the Pension Welfare Service Public Corporation approximate results that would be forthcoming from this approach.

However, it is basically desirable that the management of pension funds be divorced from the fiscal investment system. Circumstances wherein the Pension Fund Management Division's loosely managed account including liabilities for monies of differing characteristics such as from pension funds, postal savings, and postal life insurance funds coexist, and are then loaned to a variety of agencies such as the Housing Loan Corporation, Japan Highway Public Corporation, and National Railway Liquidation Corporation make it difficult for the public to determine whether funds management is efficient enough to ensure payment of future annuities.

Altering pension fiscal administration to an independent system is clearly desirable from a national economic viewpoint, because even though some say, "We can feel unconditionally secure because the pension and fiscal investment systems are operated by the national government," if the national government should fail in the investment of funds, the ultimate bill is passed on to the public.

Notwithstanding, even if the management of pension funds is converted solely to market investment, significant gains in investment results cannot be expected. It would be a superhuman feat to produce investment results that exceed the prevailing market rate of return (i.e., government bond returns) for a huge fund totaling 132 trillion yen including welfare pension funds. A return higher by 0.1 points would have to be considered adequate. Accordingly, we cannot expect a significant solution from this approach.

Reconsider Expected Rate of Return

The third method would call for a cut in the expected rate of return. In the absence of any method to fundamentally cope with the situation from the investment side, it is probably logical to deal with the situation from the liability angle. This approach may invite criticism that "any proposed cut in the expected rate of return will only result in a statistical action." Needless to say, this is true, but it is a matter of how we view the responsibility of the Ministry of Health and Welfare which has been entrusted by the public with the management of pension funds.

Objectively speaking, it is the responsibility of the Ministry of Health and Welfare to inform the public, which has the sole and only claim over pension funds, of the degree to which pension fiscal conditions will deteriorate if we were to alter and recalculate the expected rate of return so that it is consistent with financial conditions. Further, the ministry must provide a forum for discussion on how systems should be altered if the pension fiscal situation is facing a crisis.

However, the public is not made aware of debate on expected rates of return. A conceivable assertion to avoid an interpretation that such a situation represents neglect would be, "The current rate of return is too low and we should eventually return to investment returns at the 5.5-percent level." Economic forecasts like weather forecasts often prove inaccurate, and no one can predict that we will not see the return of high interest rates. However, would it be proper for managers to do nothing with the belief that interest rates will rise?

MITI: Nov Industrial Output Rises 2.7 Percent

*OW2712071094 Tokyo KYODO in English 0647 GMT
27 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 27 KYODO—Japan's industrial production turned upward in November, rising 2.7 percent from the previous month, the Ministry of International Trade and Industry (MITI) said in a preliminary report Tuesday [27 December].

The upswing compared with a 4.2 percent growth as originally forecast. The latest reading followed a 1.3 percent drop in September and a 0.6 percent slide in October.

The seasonally adjusted production index for the mining and manufacturing sectors in November stood at 94.8 against a base of 100 for 1990, the ministry said.

Shipments in November rose 2.8 percent for an index reading of 96.6, following a 0.9 percent gain in October.

The inventory index, which dipped 0.1 percent in the previous month, dropped 0.2 percent to 102.9.

The November inventory-to-sales ratio decreased 3.0 percent after a 0.2 percent fall in October, with the index standing at 110.1.

Steel Exports To Post First Decrease in 5 Years*OW2912145694 Tokyo KYODO in English 1352 GMT
29 Dec 94*

[By Hironori Miyoshi]

[FBIS Transcribed Text] Tokyo, Dec. 29 KYODO—Japan's steel exports next year will drop to 22 million tons, 2 million tons below this year's estimated 23.9-24 million tons, marking the first decline in five years, steel company officials predicted Thursday [29 December].

Exports of "low value-added" products like slab, a semifinished steel product for sheets, and pig iron, which soared this year in response to strong demand in the United States, South Korea and Taiwan, will probably plummet next year as profit margins derived from such exports are minimal, making Japanese exports far from attractive, the officials said.

The officials said that with demand from overseas automakers and electrical manufacturers pushing prices up, they will seek to revise export prices of hot- and cold-rolled steel sheets and galvanized steel sheets upward by 50-60 dollars a ton in the first half of next year.

Already last weekend, Japan's six major steelmakers signed an agreement with China National Metals and Minerals Import and Export Corp. on a weighted average price raise of about 40 dollars a ton, nearly 10 percent, for shipment in the first half of next year.

The six stainless sheet producers also agreed with the same Chinese concern on a considerable raise in the prices of steel sheets for shipment in the first quarter of next year to the same level as those for supplies to Southeast Asia, the officials said.

Japan's four major steel pipe producers, including Sumitomo Metal Industries Ltd., also agreed with a Chinese oil field equipment and materials purchasing agency on a price boost of up to 10 percent on various types of seamless steel pipes and tubes, for shipment in the first half of next year.

Steel products exports for the entire year are estimated to have increased about 400,000 tons, or some 2 percent, from last year to 24 million tons, they said.

The estimate is 3.2-3.3 million tons above the 20.7 million tons forecast earlier this year by the Japan Iron and Steel Exporters' Association.

The association attributed the possible decline next year primarily to a plunge in shipments to China, which has adopted a tight-money policy to fight inflation. Steel exports to China plummeted by an estimated 2.6 million tons from 1993.

Exports to Russia and the Middle East also posted an estimated 700,000-ton decrease.

This decline, however, was more than offset by an estimated 3.7 million-ton increase in shipments to the U.S. and Southeast Asia.

U.S. mills, lacking pig iron and semifinished steel product production capacity, ordered large amounts of high-grade slab from Japanese and European mills to meet increasing steel sheet demand from U.S. automakers.

Japanese mills mainly supplied such products to their capital-affiliated U.S. mills. The slab exports to the U.S. this year totaled an estimated 1.2 million tons, or four times the 300,000 tons shipped in the previous year.

South Korean steelmaker Pohang Iron And Steel Co. (POSCO), which suspended operations of a facility producing pig iron for periodical repairs and improvement, asked Japanese mills to furnish pig iron.

Exports of pig iron for the year reached an estimated 800,000 tons.

Electronics Production To Rise 2.2 Percent*OW2212055894 Tokyo KYODO in English 0447 GMT
22 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO—Japan's production of electronics goods will rise 2.2 percent to 21,719.7 billion yen in 1995 after climbing 2.0 percent in 1994 for the first gain in three years, the Electronic Industries Association of Japan said Thursday [22 December].

In its projection for 1995, the association cited an increase in imports and a shift in production abroad as factors restraining domestic production despite increased demand for electronics products thanks to an economic recovery.

Production of consumer electronics goods alone will fall 5.3 percent to 2,615.8 billion yen next year due to an increase in imports and a decline in exports, it said.

Production of industrial electronic equipment will increase 2.4 percent to 10,269.5 billion yen, underpinned by an expected recovery of corporate capital spending, particularly on information systems, and by the expansion of cellular phone services at home, the association said.

Production of electronic parts and devices will show a 4.5 percent gain to 8,834.4 billion yen because of continuously strong demand for semiconductors and liquid crystal displays, it said.

As for 1994, production of electronics goods is projected to rise 2.0 percent to 21,245.0 billion yen on a slight recovery of domestic demand and strong overseas demand for electronic devices, the association said.

Production of consumer electronics goods will take a 9.7 percent tumble to 2,760.2 billion yen this year, falling

below the 3 trillion yen level for the first time since 1980 as a result of increased production abroad, it said.

Output of industrial electronic products this year will rise 2.1 percent to 10,025.5 billion yen thanks to increased demand for computers and cellular phones, the association said.

Production of electronics parts and devices will increase 6.4 percent to 8,457.5 billion yen because of strong demand from audiovisual equipment makers in Asia and personal computer markets in the United States, it said.

North Korea

Reports on Release of U.S Helicopter Pilot Hall

Decision To Release Pilot Noted

SK3012102594 Pyongyang KCNA in English 1015
GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—The government of the Democratic People's Republic of Korea today decided to transfer Warrant Officer Bobby Wayne Hall II, a pilot of the U.S. Army helicopter which was shot down after illegally intruding into the territorial air of the DPRK, by displaying magnanimity and humanitarianism.

According to the decision, he was handed over to the U.S. Army side at Panmunjom today.

Thomas Hubbard, deputy assistant secretary of the U.S. State Department, who is a special envoy of the U.S. President and representative of the U.S. Administration, and his party came to Panmunjom.

Home and foreign reporters were present at Panmunjom. [sentence as received]

Earlier, a lieutenant general-level military contact was held between Yi Chan-pok, chief of the Panmunjom mission of the Korean People's Army, and Ray Smith, deputy chief of the Staff of the U.S. Forces Command in South Korea.

The U.S. side expressed deep thanks to His Excellency Kim Chong-il, supreme commander of the Korean People's Army, for the return of the pilot of the U.S. Army helicopter which was shot down after illegally intruding into the territorial air of the DPRK.

U.S. Agrees to Contact 'Demand'

OW3012011494 Pyongyang KCNA in English 0029
GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—Thomas Hubbard, deputy assistant secretary of the U.S. State Department, visited Pyongyang from December 20 [date as received] to 30 as a special envoy of the president on behalf of the United States of America and had talks with officials concerned in the

Government of the Democratic People's Republic of Korea [DPRK] as regards the [words indistinct] of the DPRK on December 17.

[Words indistinct] the two governments came to a written understanding.

Earlier a series of talks were held at Panmunjom between Lieutenant General Yi [Chan-pok], chief of the Panmunjom mission of the Korean People's Army and Smith, deputy chief of the staff of the U.S. Forces Command in South Korea.

At the talks and in the written understanding the U.S. side admitted the illegal intrusion of a U.S. Army helicopter into the territorial air of the DPRK and expressed sincere apology for it. It also affirmed that steps will be taken to prevent recurrence of such incidents.

The U.S. side agreed to our side's demand that the DPRK-U.S. military contact continue at Panmunjom to prevent incidents threatening the peace and security of the Korean peninsula.

[words indistinct] the U.S. side responded to the demand that it give necessary help for an early repatriation of the unconverted [word as received] long-term prisoners, [words indistinct] of our side who are still kept in South Korea.

The U.S. side expressed thanks again to the Government of the Democratic People's Republic of Korea for the early [word indistinct] of the dead body of David Michael Hilemon, pilot of the U.S. [words indistinct] proposed to send back Bobby Wayne Hall, another cicopter pilot who is [words indistinct].

Bobby Wayne has admitted his [words indistinct] intruding [words indistinct] the territorial air of the Democratic People's Republic of Korea and entreated a lenient pardon of him [words as received].

Taking into consideration the stand and request of the U.S. side, the Government of the DPRK decided to send back Bobby Wayne Hall with magnanimity and [words indistinct].

U.S. Makes 'Wholehearted Apology'

SK3012001294 Pyongyang Korean Central
Broadcasting Network in Korean 2302 GMT 29 Dec 94

[FBIS Translated Text] The DRPK Government has decided to return the U.S. Army helicopter pilot as the U.S. side accepted our side's demands [mugukchugi urichugui yogue unghae nawakki ttaemune].

In connection with the U.S. Army helicopter's intrusion into DPRK airspace on 17 December 1994, Thomas Hubbard, deputy assistant secretary of the U.S. Department of State visited Pyongyang from 28 to 30 December as the president's special envoy and the delegate of the United States of America [mihapchungguk], and held talks with DPRK Government functionaries.

After the talks, delegates of the DPRK and U.S. Governments reached a letter of understanding [yanghaemuni habuidoecosumnida].

Previously, Lieutenant General Yi Chan-pok, chief of the Panmunjom mission of the Korean People's Army [KPA] and Smith, deputy chief of the General Staff of the U.S. Army Command in South Korea held several rounds of talks.

In the talks held between the two sides, and in the letter of understanding agreed upon by the sides, the U.S. side admitted [injong] that the U.S. Army helicopter illegally intruded [pulbop chimip] into our country's airspace, made a wholehearted apology [chinsimuro toenun sajerul pyosihaessumyo] for this act, and guaranteed [tambo] that it will take measures to prevent such an incident from occurring again.

The U.S. side agreed to our demand [urichugui yogue tonguihaessumnida] that military contacts [kunbu chopchok] between the DPRK and the United States should be maintained at Panmunjom to map out measures to prevent incidents that threaten peace and security on the Korean peninsula.

The U.S. side also accepted our demand [urichugui yogue unghaessumnida] that it give necessary cooperation [piryohan hyomnyogul haltte taehan] for the early repatriation of the unconverted long-term POW's of our side who still remain in South Korea.

The U.S. side repeatedly thanked the DPRK Government for swiftly returning the body of David Michael Hilemon, dead pilot of the U.S. Army helicopter, and suggested [chegi] the return of the surviving helicopter pilot Bobby Wayne Hall.

U.S. Army helicopter pilot Bobby Wayne Hall admitted his crime of illegally intruding into DPRK airspace and asked [kanchong] the DPRK to generously forgive him.

Taking the U.S. position and request into consideration [migukchugui irohan ipchanggwaw yochongul koryohayo], the DPRK Government has decided to return U.S. Army helicopter pilot Bobby Wayne Hall, displaying its generosity and humanism.

'Written Understanding' Reached

SK3012042494 *Pyongyang KCNA in English* 0416 GMT 30 Dec 94

["DPRK Government To Send Back U.S. Pilot"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—Thomas Hubbard, deputy assistant secretary of the U.S. State Department, visited Pyongyang from December 28 to 30 as a special envoy of the president on behalf of the United States of America and had talks

with officials concerned of the Government of the Democratic People's Republic of Korea as regards the intrusion of a U.S. Army helicopter into the territorial air of the DPRK on December 17.

After the talks representatives of the two governments came to a written understanding.

Earlier, series of talks were held at Panmunjom between Lieutenant General Yi Chan-pok, chief of the Panmunjom mission of the Korean People's Army, and Smith, deputy chief of the staff of the U.S. Forces Command in South Korea.

At the talks and in the written understanding the U.S. side admitted the illegal intrusion of a U.S. Army helicopter into the territorial air of the DPRK and expressed a sincere apology for it. It also affirmed that steps will be taken to prevent the recurrence of such incidents.

The U.S. side agreed to our side's demand that the DPRK-U.S. military contact continue at Panmunjom to prevent incidents threatening the peace and security of the Korean peninsula.

And the U.S. side responded to the demand of our side that it give a necessary help for an early repatriation of the unconverted long-term prisoners, the POWs of our side, who are still kept in South Korea.

The U.S. side expressed thanks again to the Government of the Democratic People's Republic of Korea for an early delivery of the dead body of David Michael Hilemon, a copter pilot of the U.S. Forces, and proposed to it to send back Bobby Wayne Hall II, another copter pilot who survives.

Bobby Wayne Hall II admitted his crime of illegally intruding into the territorial air of the Democratic People's Republic of Korea and entreated a lenient pardon of him.

Taking into consideration the stand and request of the U.S. side, the Government of the DPRK decided to send back Bobby Wayne Hall II with magnanimity and humanitarianism.

Meeting in Panmunjom Described

SK3012124694 *Pyongyang Korean Central Television Network in Korean* 1137 GMT 30 Dec 94

[FBIS Translated Text] At Panmunjom today, we handed over to the U.S. Army side Chief Warrant Officer Bobby Hall, a pilot of the U.S. Army helicopter who was captured after illegally intruding into our country's territorial airspace.

On hand in Panmunjom was Thomas Hubbard, deputy assistant secretary of the U.S. State Department and special envoy of the U.S. President and representative of the U.S. Administration, who visited our country to hold discussions on the incident of the U.S. Army helicopter. Yi Chan-pok, chief of the Panmunjom mission of the

Korean People's Army [KPA], and Ray Smith, deputy chief of Staff of the U.S. Forces Command in South Korea, were also on hand. Many domestic and foreign reporters were also present to cover the repatriation of the U.S. Army helicopter pilot.

At 1110 [0210 GMT], Colonel Pak Im-su, deputy chief of the Panmunjom mission of the KPA, and U.S. Army Colonel Mark R. Shoemaker met on the Military Demarcation Line in Panmunjom. Taking the procedure for the delivery and taking over of the U.S. Army helicopter pilot, we handed over the U.S. Army helicopter pilot and his personal belongings to the U.S. Army side.

Prior to this, there was a lieutenant general-level military contact between Yi Chan-pok, chief of the Panmunjom mission of the KPA, and Ray Smith, deputy chief of the Staff of the U.S. Forces Command in South Korea, in Panmunjom.

The U.S. side expressed deep thanks to His Excellency Kim Chong-il, supreme commander of the KPA, for the return of the pilot of the U.S. Army helicopter who was shot down after illegally intruding into our territorial airspace.

U.S.'s Hubbard's Departure on 30 Dec Reported

*SK3012114994 Pyongyang Korean Central
Broadcasting Network in Korean 1104 GMT 30 Dec 94*

[FBIS Translated Text] A delegation of the U.S. Administration led by Thomas Hubbard, deputy assistant secretary of state for East Asian and Pacific affairs, departed on 30 December. Prior to his departure, Thomas Hubbard answered questions by reporters at Panmungak, saying: It is a pleasure [kipuge saenggak handa] to resolve the issue of repatriation of the U.S. helicopter pilot at this time.

He also stated that in the future, too, the United States will have the military leadership and the government use all channels available between the United States and Korea regarding the humanitarian issue [migugun mijo saie indojuuichok munjee taehaesounun kunbuwa chongbuga kanunghan modun tongrolul ta iyonghadoruk halkosida]. Referring to the issue of replacing the Armistice Agreement with a peace agreement, he stated the United States hopes that a durable peace can be maintained on the Korean peninsula.

He stated that during his visit to Pyongyang, the issue of repatriation of the unconverted long-term prisoners in South Korea was discussed between the United States and Korea, and that he would convey this issue to the South Korean authorities.

'Aerial Espionage' Conducted by U.S. Reported

*SK3012003394 Pyongyang Korean Central
Broadcasting Network in Korean 2100 GMT 29 Dec 94*

[FBIS Translated Text] According to military sources, U.S. imperialist warmaniacs viciously conducted aerial

espionage on the northern half of the Republic this year by deploying massive reconnaissance planes with various missions based in the Pacific region and South Korea.

Around 8:40 [AM or PM not specified] on 28 December, a U-2 high-altitude strategic reconnaissance plane made lengthy, repeated flights from Sosan peninsula of the West Sea, along the military demarcation line, to the Yangyang area of the East Sea. The plane made frantic efforts to take photographs and conduct electronic reconnaissance on strategic objects in in-depth areas of our side. The plane made 33 espionage flights in December, and more than 410 flights of the kind this year.

Prior to this, around 8:28 [AM or PM not specified] on 27 December, an RC-135 strategic reconnaissance plane, which flew from an overseas base to the sky above South Korea, made lengthy flights from Tokchok Island in the West Sea, along the military demarcation line, to the sky above the Yangyang area near the East Sea. The plane perpetuated electronic and photograph reconnaissances on the entire area of the northern half of the Republic. Espionage activities committed by the RC-135 reconnaissance plane numbered 67 from January to December this year.

Around 8:42 [AM or PM not specified] on 28 December, an E-3 early warning plane flew from an overseas base to the area adjacent to Tongduchon in South Korea and took command of air wings engaged in a war exercise in the area, while running amok in aerial espionage on our area. Such espionage flights were conducted on some tens of occasions this year.

In a single day on 28 December, the U.S. imperialists ordered continued sorties of 11 reconnaissance plane of various types, including RV-1 and RC-12 tactical reconnaissance planes, and EH-60 electronic warfare helicopters, to the sky above the military demarcation line night and day, to conduct aerial espionage on our various tactical areas and the east and west coasts.

The frequency of aerial espionage perpetuated by the U.S. imperialists on the northern half of the Republic through the full deployment of all of its various strategic and tactical reconnaissance planes based in the Pacific and South Korea, amounted to over 2,550 times in a single year. All of these aerial espionage flights made in a single year clearly show that the ones who are driving the situation of the Korean peninsula to aggravated tensions are the U.S. imperialist warmaniacs.

KCNA on 'Aerial Espionage'

*SK3012100994 Pyongyang KCNA in English 1003
GMT 30 Dec 94*

["U.S. Imperialist Warmaniacs Commit Aerial Espionage on More Than 2,550 Occasions This Year"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—The U.S. imperialist warmaniacs have committed aerial espionage on the DPRK on more than 2,550 occasions with reconnaissance aircraft of various types based in the Pacific region and South Korea this year, military sources said.

The number of espionage by U-2s was 33 in December and over 410 this year, that by RC-135s was 67 this year and that by E-3s was over 90 this year.

On December 28 alone, the U.S. imperialists mobilized 11 reconnaissance planes and electronic warfare helicopters such as RV-1, RC-12 and EH-60 in the skies above the Military Demarcation Line day and night for aerial espionage on the operational and tactical areas and the east and west coasts of the DPRK.

This clearly shows that the U.S. imperialist warmaniacs are the very ones who lead the situation of the Korean peninsula to tension.

Papers Denounce 'Arms Buildup' by South Korea

SK3012045594 Pyongyang KCNA in English 0446 GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—A few days ago, the Kim Yong-sam group staged a test flight at "a ceremony for accepting" F-16 fighter-bombers brought from the United States.

Commenting on this, papers here today view this as an indication of the persistent and vicious arms buildup against the fellow countrymen in the North, which continues till today when the year is coming to an end.

An analyst of NODONG SINMUN says:

The arms buildup of the Kim Yong-sam group going against the demand of the times, the demand for arms cut, is aimed at increasing the tensions on the Korean peninsula and heading for a war.

The Kim Yong-sam group of traitors is racing headlong toward North-South confrontation and war, motivated by the ulterior intention to reverse the situation of the Korean peninsula which is enveloped in an atmosphere of detente with the successful conclusion of the talks between the Democratic People's Republic of Korea and the United States. If the provocateurs dare ignite a war, we will sternly punish the enemy, warns the commentary.

A MINJU CHOSON analyst says that with such warmaniacs as the Kim Yong-sam group left alone, peace and reunification are impossible in Korea and the Korean nation and humankind cannot evade the holocaust of a nuclear war.

Kim Yong-sam's Globalization Plan Criticized

SK3012102994 Pyongyang KCNA in English 1012 GMT 30 Dec 94

[“NODONG SINMUN on Reactionary Nature of ‘Globalization Plan’”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—NODONG SINMUN in a by-lined article today exposes the reactionary nature of the “globalization plan” recently put forward by the traitor Kim Yong-sam. “Globalization” is nothing but a nonsensical phraseology for justifying treacheries, notes the article, and continues:

Having lost his foothold in South Korea and being destitute of enough economic and military potentials to survive “international competition”, the traitor is trying to find a way out in his flunkeyist and treacherous act of depending on and tailing behind outside forces and put forward the slogan of “globalization” as a makeshift measure to justify this effort.

Kim Yong-sam who regards dependence on outside forces and flunkeyism as his mode of existence brought it forward not to “open the door and proceed into the world”, but to fling open the door to the greedy outside forces and sell off the interests of the country and the nation to them, leave politics, economy and culture, the society as a whole, more dependent, obliterate the dignity and independence of the nation and reduce the people to invalid dependents on foreign forces.

ROK People Praise Kim Chong-il's Treatise

SK3012045494 Pyongyang KCNA in English 0423 GMT 30 Dec 94

[“General Kim Chong-il, Great Man of Modern History and Savior of Human Destiny”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—The great leader Comrade Kim Chong-il's treatise “Socialism Is a Science” has evoked great repercussions on the South Korean intellectuals, the Seoul-based radio Voice of National Salvation reported.

Prof. Kim of Seoul National University said:

“‘Socialism Is a Science,’ a work of the great leader Kim Chong-il, a genius of mankind, is the most of famous works, which proves the scientific accuracy and truth of socialism, the human cause of independence, with gem-like propositions that appeal to the hearts of people, and it is an immortal work, which clearly indicates the road to victory in the cause of independence.

“With this work published, mankind now has a powerful weapon to lead the cause of independence to the destination of sure victory.

“This work is a very precious guide book for the southern people who long and fight for an ideal society of humankind in the teeth of colonial subjugation and the ‘civilian’ dictatorship.

“Through the work, I have keenly felt once again that the great leader Kim Chong-il is the master of thought and theory without an equal in the world.”

A certain Song of the Institute of National Affairs said:

" 'Socialism Is a Science,' this proposition raised by the great leader Kim Chong-il is a brilliant formulation.

"By publishing the work, he completely awakened hundreds of millions of people including those who were seeking a third way, lost in despair while following socialism.

"I believe that thanks to the great leader Kim Chong-il, socialism in the North will throw brighter rays and the movement for socialist reconstruction in many countries will be waged more dynamically."

A certain Kim, an old professor in Taegu, said:

"People have not abandoned trust in socialism because General Kim Chong-il has published such famous works as 'Socialism Is a Science' one after another and indicated the scientific accuracy and truth of socialism and its true path.

"Progressive mankind of the world as well as our people are filled with the belief that when they follow the path indicated by General Kim Chong-il, they can successfully reach the ideal society where their desire has been realised.

"He is the great man of modern history and savior of human destiny who indicated the orientation and tactics ahead of mankind with the precious sword of *chuche*."

Japan's Treatment of Comfort Women Criticized

SK3012103594 *Pyongyang KCNA in English 1008*
GMT 30 Dec 94

["Third-rate Jugglery"—KCNA headline]

[FBIS Transcribed Text] *Pyongyang, December 30 (KCNA)*—NODONG SINMUN today comments on the double-dealing tactics of the Japanese authorities.

Calling attention to the utterances of the Japanese authorities that they will "resolve the issue of post-war settlement" and actively promote "international contribution" in 1995, the analyst says:

If Japan truly wanted to atone for her wrong past and devote herself to world peace and the development of human civilization with the lapse of 50 years since her defeat in the war as an occasion, it would be praiseworthy. The Japanese authorities, however, carry two faces under one hood.

The Japanese Government in its "written answer" a few days ago stated that it does not intend to make compensation to each individual former "comfort woman". These remarks contradict the utterance of the Japanese authorities that they would "resolve the issue of post-war settlement" next year.

And worldwide distrust in Japan has not been dispelled.

Such being the situation, the Japanese authorities brought forward what they call "a plan for peace and

friendly exchanges" and "a plan for raising non-governmental fund", thinking it advisable to pretend to do something. To try to gloss over the compensation problem with a "non-governmental fund" is an act of refusing to admit the state crimes.

Since the crimes committed by the Japanese imperialists in the past were state crimes violating international law, the state must make the reparation and compensation on its own responsibility according to the demand of international law and its obligation.

Japan's "international contribution" also is a mere bauble.

Seeking her conversion into a military power and overseas military operation, Japan is stringing out rubbish about "international contribution" in a bid to justify it.

The Japanese authorities should give up the foolish attempt to avert the watchful eyes of the world with the third-rate trick and attain their sinister purpose.

Reception Marks Victory of Cuban Revolution

SK3012045694 *Pyongyang KCNA in English 0428*
GMT 30 Dec 94

[FBIS Transcribed Text] *Pyongyang, December 30 (KCNA)*—Jose Ramon Rodriguez Varona, Cuban ambassador to Korea, gave a reception on December 29 on the occasion of the 36th anniversary of the victory of the Cuban revolution.

Speaking at the reception, the ambassador said that Cuba lost the great leader of the Korean people Comrade Kim Il-song this year. "The Korean people have made great achievements in implementing the behests of the great leader Comrade Kim Il-song under the wise guidance of the great leader Comrade Kim Chong-il," he noted, adding: "Cuba is convinced that the Korean people will make great achievements in the revolution and construction in the significant year of 1995, the 50th founding anniversary of the Workers' Party of Korea and the 50th anniversary of the liberation of the country."

Kim Yong-nam, member of the Political Bureau of the Central Committee of the Workers' Party of Korea, vice-premier of the Administration Council and foreign minister, said in his speech that the heroic Cuban people have vigorously advanced along the road of socialism over the past 36 years, frustrating in every way the imperialists' continued moves to isolate and stifle them, closely united around the Communist Party of Cuba headed by respected Comrade Fidel Castro Ruz.

Saying that voices of solidarity for the Cuban revolution are becoming louder in recent years, he noted that the Korean people rejoice as over their own over the achievements made by the fraternal Cuban people and wish them greater success in the future.

"We will, in the future, too, make all our efforts to bring into fuller play the friendly and cooperative relations

with the Cuban people, in hearty response to the behests of the great leader and the noble intention of General Kim Chong-il, the supreme commander," he stressed.

Kang Song-san Greets Mozambican Prime Minister

SK3012103894 Pyongyang KCNA in English 1017 GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—Kang Song-san, premier of the Administration Council, sent a message of greetings to Pascoal Manuel Mocumbi [name as received] upon his appointment as Mozambican prime minister.

Expressing the belief that the good relations of friendship and cooperation between the two countries would grow stronger and develop, the message wished him big success in his responsible work.

Najin-Sonbong City Strives To Increase Exports

SK3012101794 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 29 Dec 94

[FBIS Translated Text] According to the Central Broadcasting correspondent Choe Chang-hwa, Najin-Sonbong city is striving to increase the production of export goods upholding the party's trade-first policy. Under the guidance of the municipal party committee, the city effectively carried out organizational and political work and overfulfilled its export goods production target for this year by 24.7 percent as of the end of November.

In particular, the party members and working people of Sonbong port, Anju small-scale fishery station, and Najin port scrupulously conducted the economic organizational work, showing examples in export goods production.

In the meantime, Najin-Sonbong city highly displayed the revolutionary spirit of self-reliance and fortitude, finding that which is short and producing that which is lacking. Thus, the city built eight diving boats and 17 harpoon-fishing boats and completed a modern processing ground and a 50-meter bulwark, thereby increasing the production capacity of the fishery base by 120 percent for the first four months this year over the last year.

At the same time, the city built a good sea urchin farm so that it can increase the export goods production by 20 percent next year over this year.

Foreign Papers Carry Kim Chong-il's Treatise

SK3012045294 Pyongyang KCNA in English 0433 GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—The great leader Comrade Kim Chong-il's famous work "Socialism Is a Science" was carried by foreign papers.

The Indian paper INDIAN TIMES carried the work with a portrait of Comrade Kim Chong-il.

The work was also carried by the Russian paper MOLNIYA, the Portuguese paper NOTICIAS DA AMADORA and the Togolese paper ATOPANI.

Kim Chong-il Receives New Year Gifts, Letters

Military Attache, Economic Corps

SK3012104294 Pyongyang KCNA in English 1019 GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—The great leader Comrade Kim Chong-il was presented with a floral basket and a congratulatory letter by the military attache corps here on the New Year 1995.

The basket and letter were handed today to Choe Kwang, chief of the General Staff of the Korean People's Army, by military attache of the Vietnamese Embassy Tran Thuc [name as received], doyen of the Military Attache Corps.

Comrade Kim Chong-il also received a floral basket and a congratulatory letter from the economic and commercial councillor corps on the New Year 1995.

The basket and letter were conveyed today to an official concerned by commercial representative of the Russian Federation Evgeny Bilim [name as received], doyen of the Economic and Commercial Councillor Corps.

Doyen of Diplomatic Corps

SK3012043494 Pyongyang KCNA in English 0405 GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA)—The great leader Comrade Kim Chong-il was presented with a floral basket and congratulatory letter by the diplomatic corps here on the New Year 1995.

Syrian Ambassador to Korea Yasir Farah, doyen of the diplomatic corps, today handed the floral basket and congratulatory letter to Vice-premier and Foreign Minister Kim Yong-nam.

On the occasion the ambassador wished the Korean people progress and prosperity under the wise guidance of Comrade Kim Chong-il on the New Year.

1994 was a year that was spent with a bitter sorrow, he said, and went on:

"We suffered the greatest loss with the death of Comrade Kim Il-song, an outstanding leader, the sun of the Korean nation and a great man of history.

"He created a great history.

"Though he passed away, Comrade Kim Il-song is always with us.

"Today the Korean people are creditably carrying forward the revolutionary cause of chuche generation after generation under the leadership of Comrade Kim Chong-il, changing the sorrow into thousand-fold strength and courage.

PLO's Yasir 'Arafat

*SK3012050794 Pyongyang KCNA in English 0408
GMT 30 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA)—The great leader Comrade Kim Chong-il received a floral basket from Yasir 'Arafat, president of the State of Palestine, chairman of the Executive Committee of the Palestine Liberation Organisation (PLO) and head of the national authority of Palestine, on the New Year 1995.

The floral basket was today handed to an official concerned by Shahir Mohammed, Palestinian ambassador to Korea.

Libyan Leader Al-Qadhdhafi

*SK3012043894 Pyongyang KCNA in English 0407
GMT 30 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA)—The great leader Comrade Kim Chong-il received a floral basket and congratulatory letter from Mu'ammar al-Qadhdhafi, leader of the great September first revolution of the Great Socialist People's Libyan Arab Jamahiriya, on the New Year 1995.

The floral basket and congratulatory letter were today handed to an official concerned by Ramadan Muhammad El Laubi [name as received], acting secretary of the People's Committee of the People's Bureau of the Great Socialist People's Libyan Arab Jamahiriya in Korea.

Increase in Power Production Reported

*SK3012043394 Pyongyang KCNA in English 0402
GMT 30 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 29 (KCNA)—Power production is on the increase in Korea.

According to Kim Yong-tal, director of the production review department of the Ministry of the Power Industry, power production as of December 26 was ten percent higher than the same period last year.

In this period, the Pyongyang thermal power complex increased power output five percent and the east Pyongyang thermal power plant ten percent.

The Supung, Hochongang, Kanggye youth and other hydro- power stations have overfulfilled the yearly assignments.

Ceremony Unveils University 'Hanging Board'

*SK3012045094 Pyongyang KCNA in English 0432
GMT 30 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—A ceremony for unveiling the hanging board "Kim Hyong-chik University of Education" autographed by the great leader President Kim Il-song was held on December 29.

The university situated in Pyongyang is a reliable "breeding station" of education of the country.

Considerate of the ardent desire of the teachers and students of the university on the centenary of the birth of Kim Hyong-chik, an outstanding leader of the Korean national liberation movement and an indomitable anti-Japanese revolutionary fighter, President Kim Il-song wrote the hanging board of the university with a writing brush on July 5, 1994, recalling the great life of Kim Hyong-chik.

Seeing the design of the gate of the university on which the hanging board autographed by the respected leader President Kim Il-song would be hung, the great leader Comrade Kim Chong-il took all measures to complete this project as soon as possible.

Soldier builders built the new gate of the university in a short span of time so as to bear the immortal letters.

Present at the unveiling ceremony were Choe Tae-pok, alternate member of the Political Bureau and secretary of the Central Committee of the Workers' Party of Korea, and other senior officials.

Leaders Attend Art Film Showing in Pyongyang

*SK3012105194 Pyongyang Korean Central
Broadcasting Network in Korean 2100 GMT 27 Dec 94*

[FBIS Translated Excerpt] The Korea Art Film Studio has recently released a wonderful rendition of the 20th part of a serial of art films entitled "Nation and Fate" which are being created as monumental masterpieces of the times under the energetic guidance of our party.

The cadres of the party and the government saw this film at the People's Palace of Culture yesterday [27 December].

Watching the film were Vice President Kim Pyong-sik; Comrade Kim Yong-nam; Comrade Choe Kwang; Comrade Chon Pyong-ho; Comrade Han Song-yong; Comrade Kim Chol-man; Comrade Choe Yong-nim; Comrade Yang Hyong-sop; Comrade Hong Sok-hyong; Comrade Hwang Chang-yop; Comrade So Kwan-hui; Comrade Kim Hwan; Comrade Kim Pok-sin; Comrade Kim Yun-hyok; Comrade Chang Chol; Comrade Yun Ki-pok; Comrade Pak Nam-ki; Mrs. Yu Mi-yong; members and candidate members of the Central Committee of the Workers Party of Korea in Pyongyang; responsible functionaries of the party organs, power organs, administrative and economic organs, and social organizations;

general-grade officers of the Korean People's Army; anti-Japanese revolutionary fighters; responsible functionaries in the sectors of the scientific, educational, cultural, artistic, public health, and the press; and professors and doctors. [passage omitted]

South Korea

North Decides To Release U.S. Helicopter Pilot

SK2912232594 Seoul YONHAP in English 2321 GMT 29 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—North Korea announced Friday morning it had decided to release U.S. Army Chief Warrant Officer Bobby Hall held captive since his helicopter strayed into the North Dec. 17 and was downed by North Korean gunners.

But it did not mention when Hall would be released.

The announcement was made by Radio Pyongyang in its 8:00 AM news program.

'Full Text' of 'Understanding'

SK3012022994 Seoul YONHAP in English 0224 GMT 30 Dec 94

[FBIS Transcribed Text] Washington, Dec. 29 (YONHAP)—Following is the full text of the understanding between representatives of the United States of America and the Democratic People's Republic of Korea:

"In connection with the incident in which a United States military helicopter intruded into DPRK airspace on Dec. 17, 1994, U.S. Deputy Assistant Secretary of State Thomas Hubbard visited Pyongyang from Dec. 28-30, 1994, as a special presidential envoy representing the U.S. Administration, and held discussions with DPRK officials concerned.

At the end of these discussions, both sides have reached the following understanding:

1. The U.S. side has acknowledged the legally unjustified intrusion into DPRK airspace by a U.S. military helicopter. The U.S. side has expressed its sincere regret over this action and has assured the DPRK it will take steps to prevent any recurrence of such incidents in the future.
2. Both sides have agreed to maintain military contact in the appropriate forum to identify and take measures for preventing occurrences that threaten peace and security on the Korean peninsula."

Pyongyang Returns U.S. Pilot

SK3012024094 Seoul YONHAP in English 0235 GMT 30 Dec 94

[FBIS Transcribed Text] Panmunjom, Dec. 31 [date as received] (YONHAP)—North Korea released U.S. airman Bobby Hall Friday [30 December] into the hands of Washington's envoy after 14 days of captivity.

Army Chief Warrant Officer Hall was repatriated to the U.S. Forces in Korea at 11 am [0200 GMT] through the truce village of Panmunjom with Deputy Assistant Secretary of State Tom Hubbard, who went to North Korea Wednesday to negotiate the airman's release.

Hall and his co-pilot, David Hilemon, strayed into North Korean airspace Dec. 17 aboard an OH-58c helicopter. Washington announced the chopper had been downed and Hilemon died in the incident.

The remains of Hilemon were handed over last week to U.S. Congressman Bill Richardson, who was in North Korea at the time of the incident.

North Korean reports said Pyongyang officials and Hubbard agreed to a "written understanding" that the United States regrets the intrusion into North Korean airspace by the helicopter and will take steps to prevent any recurrence of such incidents.

Government Comments on Return

SK3012035494 Seoul KBS-1 Radio Network in Korean 0300 GMT 30 Dec 94

[FBIS Translated Text] The ROK Government commented through a relevant Foreign Ministry official that it is fortunate Chief Warrant Officer Hall returned from detention in North Korea. Yi Kang-tok reports from the Government Complex:

[Begin Yi Kang-tok recording] The government stated through a relevant foreign ministry official that it is fortunate Chief Warrant Officer Bobby Hall was returned, but regretted the unnecessary death from the incident. The government commented that the incident serves as an opportunity to reconfirm the true nature of military conflict on the Korean peninsula, and urged North Korea to resume North-South dialogue as soon as possible to eliminate such an abnormal situation and called for mutual efforts for the development of North-South relations.

The government stressed that, as stipulated in the basic agreement between the North and the South, the current armistice system must be maintained until it is transformed into a peace system through discussions between the North and the South and that the activities of the Military Armistice Commission [MAC] should continue.

Meanwhile, regarding North Korea's announcement that the United States and North Korea agreed to maintain proper military contacts, a relevant government official said the United States made it clear to the ROK Government that the contacts meant MAC-level contacts. Regarding unconverted long-term prisoners, the official said the United States has not informed the government of such an agreement, and that Deputy Assistant Secretary Hubbard is expected to explain this to the ROK Government. The official said since the issue of the unconverted long-term prisoners is not something to be discussed by North Korea and the United States, it is

very possible that North Korea's demand is propaganda designed to create differences between the ROK and the United States.

Tom Hubbard, U.S. deputy assistant secretary of State, who succeeded in repatriating Chief Warrant Officer Hall, will meet with Chang Tae-yong, departmental director of the ROK Foreign Ministry, and other relevant government officials in Seoul today to explain the details of the negotiation on the repatriation of Chief Warrant Officer Hall. [end recording]

Handover Ceremony Detailed

SK3012073394 Seoul YONHAP in English 0702 GMT 30 Dec 94

[FBIS Transcribed Text] Panmunjom, Dec. 30 (YONHAP)—U.S. Army pilot Bobby Hall, detained by North Korea for 13 days after his chopper accidentally strayed into the secretive country's airspace, was handed over to the American side Friday morning.

Chief Warrant Officer Hall, 28, entered the South Korean side of the truce village of Panmunjom around 11:15 AM from the northern half, crossing the Military Demarcation Line to be greeted by officials from the U.S. Forces in Korea (USFK) including USFK Commander Gen. Gary E. Luck.

Deputy Assistant Secretary Thomas Hubbard and deputy director of the office for Korea Richard Christensen of the U.S. State Department, who traveled to Pyongyang Wednesday to negotiate Hall's repatriation, crossed the line as well five minutes before Hall.

Wearing a flying outfit, the airman looked extremely tired and tense after his difficult captivity in the North.

Hall hopped into a waiting military ambulance right after saluting the USFK Commander, Maj. Gen. Hwang Won-tak, chief of the UN Command component of the Military Armistice Commission (MAC), Hwang Won-tak, and other senior officials [as published].

Hubbard, who spent two difficult days in Pyongyang working for Hall's release, said, "I'm pleased to see that in the final analysis the North Korean Government took our humanitarian concerns into account and agreed to return Chief Warrant Officer Hall."

At Freedom House in Panmunjom, Hubbard called President Bill Clinton to report the latest developments and contents of the negotiations for Hall's release.

USFK officials said the airman would return to the United States soon after undergoing a medical check-up here.

The handover ceremony between the United States and the North was delayed by about 10 minutes.

Before Hall's release, the two sides held a working meeting on the handover procedures and the North reportedly said the pilot was in good condition.

Hall was taken captive by the North Korean Army after the chopper he was piloting along with Chief Warrant Officer David Hilemon strayed across the demarcation line into the North's airspace Dec. 17 during a terrain familiarization drill and was shot down by North Korean gunners. Hilemon was killed in the incident and his body was turned over to the U.S. side last Thursday at Panmunjon.

Memorandum of Understanding Noted

SK3012001994 Seoul YONHAP in English 0014 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—North Korea has decided to release U. S. Army Chief Warrant Officer Bobby Hall, Pyongyang's Central Broadcasting station announced in its 8:00 am Newscast Friday.

The North Koreans agreed to release Hall in a memorandum of understanding exchanged at a meeting with U.S. Deputy Assistant Secretary of State Thomas Hubbard, who arrived in Pyongyang Wednesday, the announcement said.

In the memorandum, North Korea said it has decided to repatriate Hall out of leniency and humanitarian principles, while the U.S. side allegedly apologized for its military helicopter's illegal intrusion into North Korean airspace and promised to take action against the recurrence of any such incidents, it added.

North Korea also expressed hope for U.S. cooperation in continuing bilateral military contacts at Panmunjom and in having South Korea return to the North those North Koreans who have not given up their allegiance to Pyongyang after serving prison terms for pro-north Korean activities during and after the Korean war (1950-53), the newscast said.

U.S. Accepts 'Set of Demands'

SK3012020594 Seoul YONHAP in English 0153 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—North Korea said Friday it decided to free American airman Bobby Hall because the United States accepted its set of demands and out of generosity and humanity.

In an announcement over Pyongyang Radio, North Korea said the two sides had reached an understanding between government representatives.

The gist of the announcement said, "According to the agreement, the United States admits the illegal intrusion into North Korean airspace of one of its helicopters and apologizes, and will guarantee it will take measures to prevent future incidents.

"North Korea asked for, and the United States agreed to, further bilateral military contacts to prevent incidents which threaten peace and security on the Korean peninsula."

"The United States also agreed to our demand to give necessary cooperation so that unconverted prisoners of war can be returned home quickly."

Seoul still holds some North Koreans from the 1950-53 Korean war, imprisoned for refusing to renounce communism.

The announcement said pilot Bobby Hall admitted to the crime of illegally entering North Korean airspace and asked for a generous pardon.

"Taking into consideration the U.S. position and demands, the Government of the Democratic People's Republic of Korea (DPRK) has decided to show its generosity and humanity and return Hall," it said.

Foreign Ministry Comments

SK3012055594 Seoul YONHAP in English 0547 GMT
30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 YONHAP—The Foreign Ministry, commenting on the release Friday of U.S. helicopter pilot Bobby Hall, expressed hope that inter-Korean dialogue would resume soon.

Noting that the U.S. Army chopper incident was an opportunity to reconfirm the reality of the military confrontation on the Korean peninsula, a Foreign Ministry spokesman said in a statement: "We urge the North to make joint efforts for an early resumption of inter-Korean dialogue and progress in South-North Korean relations so that such an abnormal situation may be removed."

The ministry noted, "as specified in the South-North Korea Basic Agreement adopted in 1991, the Korea military armistice regime should be maintained and the Military Armistice Commission should function continuously until the armistice regime is replaced by a peace system.

"South Korea and the United States maintained close consultations in striving to resolve the incident as quickly as possible based on humanitarianism," the statement added.

South, U.S. Presidents Converse

SK3012073494 Seoul YONHAP in English 0717 GMT
30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—President Kim Yong-sam spoke by phone with his U.S. counterpart Bill Clinton Friday and agreed to maintain close bilateral cooperation in order to preserve the existing armistice system on the Korean peninsula until it can be replaced with a Seoul-Pyongyang peace accord.

In their conversation, President Kim said the recent downing of a U.S. Army helicopter in North Korean territory offered a lesson on the state of Korean military

confrontation, adding that the armistice system should be retained until the South and North replace it with a peace system.

For his part, Clinton said the United States would not back Pyongyang's attempt to scrap the armistice system and stated that peace on the Korean peninsula is a matter best left to direct negotiation between Seoul and Pyongyang, not between Washington and Pyongyang, according to Presidential Spokesman Yun Yo-chun.

The spokesman added that Clinton underlined the the United States' resolve to maintain the present armistice agreement.

Any American statements issued to solve the chopper problem were not intended to open a direct U.S. channel with North Korea, Clinton emphasized, saying that a U.S. major general's participation in the Military Armistice Committee was part of the armistice system.

President Kim voiced regret over the chopper incident, consoling Clinton and the American people for the loss of one man's life, "but it is fortunate Bobby Hall survived and was freed by North Korea."

Clinton expressed thanks to South Koreans for helping resolve the helicopter incident.

Foreign Ministry Official on Meeting With Hubbard

SK3012095994 Seoul KBS-1 Radio Network in Korean
0900 GMT 30 Dec 94

[FBIS Translated Text] The Foreign Ministry has estimated that the activities conducted in the North by Hubbard, U.S. deputy assistant secretary of state, were satisfactory ones and were carried out in faithful compliance with the humanitarian principle as had originally been promised to us.

Chang Chae-yong, director of the American Affairs Bureau of the Foreign Ministry, met this afternoon with Hubbard, U.S. deputy assistant secretary of state, who had returned from North Korea. Emerging from this meeting, Director Chang explained in a news briefing: Although North Korea suggested [chongyong] to the U.S. side that they hold inappropriate negotiations, including the question of concluding a peace agreement to the exclusion of the ROK, the U.S. side rejected this, thus, faithfully complying with the original goal concerning the U.S. official's visit to the North.

Chang Chae-yong, director of the American Affairs Bureau, said, in particular: The expression "[that the United States and North Korea shall hold] military contacts in an appropriate form"—which the United States specified in the items of the understanding—means holding contacts through the Military Armistice Commission. The U.S. side has clarified this point to North Korea.

Director Chang Chae-yong went on to say: Regarding North Korea's persistent request that the U.S. side help realize the repatriation of unconverted, long-term prisoners in the ROK, the U.S. side turned it down, saying that this is an inherent right of the ROK. The U.S. side only promised North Korea to convey such an intention of North Korea [to the ROK].

U.S. Hubbard's News Conference Remarks Cited
SK3012085294 Seoul YONHAP in English 0840 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—The United States has no plans for direct military talks with North Korea and sees the Korean Military Armistice Commission as the only appropriate forum, Deputy Assistant Secretary of State Tom Hubbard clarified Friday.

Addressing a press conference after his trip to Pyongyang, Hubbard denied any other connotation to the term "military contact" mentioned in the written understanding between the two sides.

Hubbard also denied having agreed in writing to discuss the repatriation of North Korean prisoners detained in South Korea, saying he only promised to relay Pyongyang's wishes to the Seoul government.

The State Department official emerged 48 hours after arriving in Pyongyang with U.S. airman Bobby Hall, who was captured when his helicopter strayed into North Korean airspace on Dec. 17.

Washington and Pyongyang issued a written understanding that says the United States regrets the incident and will take steps to prevent any recurrence of such incidents in the future.

They also agreed to "maintain military contact in the appropriate forum" to discuss avoiding a recurrence, but here, North Korea probably means direct military talks with the United States.

North Korea has been trying to dismantle the Military Armistice Commission (MAC).

"I made very clear to the North Koreans that in the view of the United States, the appropriate forum for such discussions is MAC," said Hubbard.

"In short, we have agreed to no bilateral channels for military- to-military discussions," said Hubbard, apparently to fend off such North Korean insistence.

Pyongyang's version said the United States agreed to its demand for special consideration in repatriating prisoners of war being kept in Seoul, referring to those from the 1950-53 Korean war imprisoned for not renouncing communism.

The matter was raised by the North Koreans, Hubbard said, but "I declined to discuss that subject. I told them it was a matter of responsibility under the South Korean Government.

"But I did tell the North Koreans that I would convey their concerns to the (South Korean) Government... it is a matter for discussion between South and North Korea," he said.

There was no other oral commitment to North Korea other than on this issue, he said.

Asked about the incident's impact on the Oct. 21 nuclear agreement between Pyongyang and Washington, Hubbard said Hall's release enables the United States to "move ahead with the implementation" of the accord.

The agreement is "in the U.S. interest, common interest of the United States and North Korea, and in the interest of peace and security in the region," he said.

President Plans Two Official Visits to U.S.

SK3012075294 Seoul YONHAP in English 0725 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—South Korean President Kim Yong-sam is expected to make official visits to the United States next July and October.

Kim will reportedly travel to Washington in late July to attend an unveiling ceremony for a monument honoring American participation in the Korean war (1950-53) and for summit talks with his U.S. counterpart Bill Clinton.

Speaking over the phone with Kim Friday afternoon, Clinton said he hopes Kim can visit Washington next July, indicating the two sides are keen on the idea.

"I will try to do so," presidential spokesman Yun Yochun quoted Kim as responding.

A "monument establishing committee of the Korean war veterans memorial advisory board" in the United States has told the White House it hopes the two leaders can take part in the ceremony, while Washington has already sent an official invitation to Kim.

In addition, President Kim will go to New York next October for celebrations marking the United Nations' 50th anniversary.

Honam Oil Delays North Shipment at U.S. Request

SK3012022594 Seoul YONHAP in English 0216 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—The bunker-c oil destined for a thermal power plant in North Korea, which was to be shipped from mid-December by Honam Oil Refinery Co., has been delayed at the request of the U.S. Defense Department.

A Honam spokesman said Friday the company was scheduled to ship 50,000 tons of bunker-c oil for use at a general thermal power plant out of Yochon port in South Cholla Province between Dec. 15 and year's end, but has

delayed shipment at the request of the U.S. Defense Department's Defense Fuel Supply Center (DFSC).

The spokesman revealed that the company plans to consult with the center on the matter early next year.

Industry sources said the delay is related to North Korea's foot-dragging in releasing an American airman held captive in the communist country since his helicopter strayed into North Korean territory and was downed on Dec. 17.

A Honam official explained the company won the right to supply the oil to North Korea in a bid conducted by the DFSC with the lowest offer of 84.3 U.S. dollars per ton, saying the shipment will be delayed until early next year as the DFSC has not arranged for an oil carrier.

He noted that the DFSC's request was on a commercial basis only and that the two parties have decided to discuss additional expenses and compensation for the delayed shipment at a later date.

However, he said the oil will be shipped soon if the surviving U.S. chopper pilot, Chief Warrant Officer Bobby Hall, is freed Friday.

The bunker-c oil to be supplied to North Korea is the first in a series of shipments the United States promised in return for the North's halting of nuclear power plant operations in accordance with their agreement reached last October.

North Korea will use the bunker-c oil to power two thermal power plants whose construction is to be completed in 1995 and 1996.

Dailies Review Reasons for Woolsey's Resignation *SK3012045194*

[FBIS Editorial Report] The following is a compilation of articles published in ROK vernacular dailies on 30 December on the resignation of CIA Director James Woolsey.

The conservative CHOSON ILBO carries on page 6 an 800-word article by Washington-based reporter Chong Hae-yong on the background of Woolsey's resignation. The article reports that the Ames spy incident "poured cold water" on Woolsey's efforts to follow President Clinton's instruction to reform the CIA in accordance with the world order, and that "Congress even questioned Woolsey's capabilities." The article continues: "With the spy incident as momentum, the FBI attempted to hold sway over the CIA, and Clinton stood on the FBI side in the FBI-CIA dispute." The article then says that Woolsey finally resigned because he thought he could no longer effectively lead the CIA in a situation where his "desperate efforts for the rebirth of the CIA" were not supported by Clinton and where various scandals, including the alcoholism of CIA members, were constantly exposed by the press.

The moderate KYONGHYANG SINMUN carries on page 7 an 800-word article by reporter Song Chol-hu providing another analysis of the reasons for Woolsey's resignation. After mentioning that his resignation was abrupt, but expected, the article reports that Woolsey's conflict with Congress, rather than the disclosure of the Ames case, is considered to be the primary reason for his resignation. The article points out the frequent conflicts between Woolsey and Congress over cutbacks in the CIA budget and the reorganization of the agency for the first time since the post-War era began. The article also points out the recent discord between the two sides over construction of the headquarters for the National Security Agency in Virginia. The article comes to the conclusion that the spy incident "aggravated Woolsey's skepticism," and hastened his resignation.

The pro-government SEOUL SINMUN carries on page 6 a 700-word article by Washington-based correspondent Yi Kyong-hyong on this matter. After reporting on the background of Woolsey's resignation, the article reports in a tone similar to the above KYONGHYANG SINMUN article, saying that "CIA Director James Woolsey's abrupt resignation foretells a great turnabout of the CIA," and noting the "strong denunciation" of Woolsey by a Congress seeking a retrenchment in the CIA structure and budget.

The left-leaning HANGYORE SINMUN carries on page 7 a 500-word article by Washington-based correspondent Chong Yon-chu on Woolsey's resignation. The article reports that although he claimed that the White House had not forced him to resign, rumors of his resignation have been circulating in Washington political circles for several months. The article also reports that Congress "strongly denounced" Woolsey's "extremely lukewarm measures" for the Soviet spy incident and his "secret use of \$310 million in building the headquarters for the National Security Agency." The article points out: "What matters particularly is that despite his tremendously important position, Director Woolsey remains an outsider of the Clinton administration, failing to belong to the core power group." The article continues: "His weak position and a series of scandals involving the director have lowered the morale of the CIA, which has been asked to reduce its budget and size with the end of the Cold War." The article also points out "additional criticism of the CIA for failing to provide 'high-quality information' since it could not correctly grasp the Mideast situation or the North Korean situation, which changed rapidly with President Kim Il-song's death."

U.S. Envoy on Visa Waiver for ROK Tourists

SK3012045394 Seoul KYONGHYANG SINMUN in Korean 30 Dec 94 p 22

[By reporter Kim Pan-su]

[FBIS Translated Text] The U.S. Government is reportedly seeking measures to allow ROK tourists to enter the United States without a visa in the near future.

Speaking at a briefing organized by the Korean Compatriots' Chamber of Commerce and Industry in Atlanta on 28 December, U.S. Ambassador to the ROK Laney said: "The U.S. Embassy in the ROK has issued approximately 500,000 visas for Koreans. This heavy workload has caused considerable inconvenience to the Korean people and the travel industry."

KYONGHYANG SINMUN confirmed this through a report from the Atlanta branch of Radio Korea, a radio station operated by Korean Americans, to its headquarters. The U.S. Government's visa waiver policy for ROK tourists is assessed as being one to shrink the budget of overseas missions and to reduce the workload of visa processing, which exceeds 2,000 applicants a day in the ROK.

Delay in Kim Chong-il Power Succession Analyzed

SK2912135194 Seoul CHUNGANG ILBO in Korean 29 Dec 94 p 5

[By reporter Choe Won-ki]

[FBIS Translated Text] The official succession of power of North Korea's Kim Chong-il has not been finalized, even though we are seeing off the old year and greeting the new.

Signals coming from Pyongyang strongly hint that Kim Chong-il has seized power, but there are no indications to support this, such as his election as party general secretary or state president.

It is presumed that the delay in the succession of power is a result of four elements, including Kim Chong-il's health; the unsolved problem of dealing with Kim Il-song's body; discord between hardliners and moderates; and the distribution of power between first generation revolutionaries.

There are widely spread rumors that Kim Chong-il is suffering from three to four diseases such as diabetes, cirrhosis of the liver, nephrosis, and noctambulism. In particular, it has been pointed out there is a problem in that he does not want to have contact with outsiders because of his introspective character.

It is felt that in the succession of power, the problem of Kim Chong-il not wanting to meet with outsiders affects the reorganization and distribution of power, such as whether he will also assume the post of state president, which represents the state.

During Kim Il-song's funeral last summer, his body was removed from the casket three times, thus causing problems. A team of Russian technicians were mobilized, though it was learned North Korea has not yet decided on how to handle the body.

It is felt that from the position of Kim Il-song's absoluteness and the nuances of father-son succession, it is difficult to succeed to power while Kim Il-song's body

has not yet been dealt with. It has been pointed out that confrontation between hardliners and moderates over such policies as opening up to the outside is another element in delaying succession. The Administration Council is of the opinion that an early opening up is inevitable, while the military and the Workers' Party of Korea [WPK] oppose opening up, urging Pyongyang maintains its system.

In particular, to secure a basis for power, Kim Chong-il is thinking about retiring the current first-generation revolutionaries from their posts; like China's Deng Xiaoping, he is planning to drive the elder statesmen of the revolution who oppose reform into formal positions such as the party advisory committee. However, the elder statesmen oppose this.

Yi Tong-pok, former special assistant to the minister of the Agency for National Security Planning, says: "A certain kind of discord will exist surrounding the distribution of power between Kim Chong-il and the WPK."

However, other experts claim a normal theory on North Korea, saying North Korea must not be viewed from Western standards.

The substantial succession of power has already been completed; it is said that during the past six months without Kim Il-song, a change has quietly taken place toward the Kim Chong-il system. Nonetheless, since Kim Chong-il's personal problems, such as his health, have not been completely solved, a delay in his enthronement has occurred. The following shows the process in the succession of power since Kim Il-song's death: memorial service on Kim Il-song's death - rallies of determination by the party, political circles, and the military to be loyal to Kim Chong-il - relay race to deliver letters expressing loyalty to Kim Chong-il - and ceremony to commemorate the third anniversary of Kim Chong-il's election as supreme commander.

There is a need to pay attention to the 9 November order by Kim Chong-il on completing the construction of the Chongnyu Bridge across the Taedong River.

Recently, there were rumors of a reorganization and personnel changes to overcome the economic crisis by reviving the trade ministry in the Administration Council; by appointing Hyon Chun-kuk as director of the department of international affairs in the WPK; and by appointing Cho Won-myong as chairman of the committee to promote international trade under the External Economic Affairs Committee.

All in all, it seems Kim Chong-il's seizure of power has already been completed, and that the date for his official succession cannot be decided due to personal reasons, such as his health.

North Arranges New Year's Day Satellite Relay*SK3012083594 Seoul KBS-1 Radio Network in Korean
0800 GMT 30 Dec 94*

[FBIS Translated Text] North Korea today asked the NHK of Japan to conduct a satellite relay on New Year's Day, thus attracting public attention to what North Korea will air on that day.

According to the NHK Bureau in Seoul, North Korea asked the NHK headquarters in Japan this afternoon to make preparations to conduct a satellite relay for a New Year's Day newscast for one hour from 1100 to 1200 [0200 to 0300 GMT] on New Year's Day.

The NHK Bureau in Seoul made public that North Korea did not mention at all what it would broadcast.

*** Kim Chong-il's Expected Strategies Analyzed***942C0201A Seoul NAEWOE TONGSIN in Korean No.
910, 21 Jul 94 pp B1-B5*

[FBIS Translated Text] It is difficult to judge how Kim Chong-il, who became the first ruler of North Korea following the death of Kim Il-song, will take care of the question of South and North (Korea) and its reunification.

The reason why it is very difficult to figure out Kim Chong-il's character and his political position is that they have been hidden under a veil until now, more than 20 years after he was named as Kim Il-song's successor in 1974.

History, however, is repetitive and based on the saying: 'Look back to the past to see the future.' To a certain degree, we can estimate Kim Chong-il's future policy toward South Korea by investigating his statements and behavior toward the South during his years as successor designate. Also the tendency of reports by North Korea's propaganda media will lend information.

It is true that Kim Chong-il has a very negative image that 'his character is quick, aggressive and self-satisfying.'

He is judged to be belligerent and has a tendency to act unexpectedly, especially, concerning relations between South and North.

This estimation is based on the clear fact that Kim Chong-il's strategies and tactics toward the South have been violent and caused unexpected terror.

It is known that Kim Chong-il has started to manage and instruct the policy toward the south, which Kim Il-song was in charge of since the early 1970's.

The situation at that time was the dialogue between the South and the North, which began with the joint statement in 1972, was suspended by the North's Yong Ju's (who is the vice secretary now) one-sided declaration of

discontinuance (28 August 1973) and the relationship between the South and North turned cold again.

As the situation changes, Kim Chong-il reorganizes the posts toward the South on a large scale. He has worked hard to develop new tactics to communize the South with the change of the generation of spies since he was in charge of the policy toward the south.

It is known that he subsequently presided over a meeting on the policy toward the south in the middle of January and instructed listeners to "break from the old tactics of the past, and switch from the method and tactics of handicraft, to more bold tactics."

North Korea made tunnels to invade the South, in the area of the truce line, in accordance with the 'combination tactic' that carries out a regular war and a guerrilla war at the same time, at the front and the rear if it is a decisive moment.

It is analyzed that Kim Chong-il's tactics toward the South have been based on violence and terror from the beginning and his tactics remained unchanged until now.

North Korea has insisted through propaganda that Kim Chong-il is leading the dialogue between the South and the North, and some projects, which were promoted in the meantime, such as: an offer of relief supplies to those involved in the flood disaster in South Korea, exchange of groups for visiting homes and groups of performers, a dialogue between the South and the North, a high ranking level meeting, a basic agreement of the South and the North, an addendum to the agreement, and the joint committee in sections are all "accomplished under Kim Chong-il's superior intellectual power and leadership."

Recently, Kim Chong-il was praised as "the son who guided the reunification of the motherland."

On 17 Feb last year, Pyongyang Broadcast insisted through sound argument that "Kim Chong-il is shining like 'a guide star of the reunification of the motherland' by promoting a strategy that is a large scale movement from the reunification at the front line of fighting, to realizing 'Korea Federal Republic.'" and that "the reunification is optimistic and certain because Kim Chong-il, the guide star of the reunification of the motherland, is leading our reunification movement."

Under this paradoxical propaganda, in what point of view, does Kim Chong-il himself see today's reunification problem?

Kim Chong-il made public his opinion on the reunification problem at the news conference with 'THE GRANMA,' the official newspaper of the Communist Party of Cuba in October 1989. (report of RODONG SINMUN on 4 December 1989)

Kim Chong-il stipulated that the essence of fighting for the reunification is "a struggle that is against the rule and

the intervention of the foreign imperialism and for the realization of the people's sovereign rights."

He insisted that, in other words, the separation of the South and the North stemmed from the United States' 'forceful occupation of South Korea,' and that the reason why the reunification is not realized is that the United States is interfering.

Moreover, he pointed out repeatedly that his fundamental position on and plans for the problem of reunification are in the establishment of 'Korea Federal Republic' based on the three principles: People's sovereign right, reunification, and the national solidarity.

Kim Chong-il's position on the reunification problem is a replica of the policy toward the south that Kim Il-song promoted.

Kim Il-song stipulated that the strategy of revolution toward the South is to realize "the people's liberation and the realization of revolution of the people's democracy." He insisted that the strategy is to "establish a democratic development in South Korea by repelling the invasion of power American imperialism in South Korea, excluding the rule of colony, and establishing the advanced system of the society by overthrowing the military fascist dictatorship." (November 1970, the 5th report to the Workers Party of Korea.)

Accordingly, it is prospected that Kim Chong-il has taken 'lessons to be a successor' under Kim Il-song for more than 20 years and it is hard to command new strategies and tactics toward South and the policy of reunification by breaking down the political foundation Kim Il-song had built for 50 years in one morning supports the prospect.

In fact, after the death of Kim Il-song, broadcasts in North Korea praised Kim Chong-il as 'a center of reunification of motherland' and 'a guide star of reunification,' and stressed that 'Kim Il-song's plan on the reunification of motherland will be realized by Kim Chong-il.'

Here, we have to pay attention to the fact that the target of revolutionary tactics Kim Il-song had pursued to communize the South by force remains unchanged in the period of Kim Chong-il, too.

In other words, in the reality that North Korea made public, politically, to communize the South by force as a strategic goal, Kim Chong-il will also intensify 'the tactics to communize the South' without changing this strategy.

It is estimated that Kim Chong-il will intensify the attack of the psychological war toward South to instigate the radical leftist power within South Korea most of all for the target to make a favorable political situation to communize the South and will plan the chaos inside of our society and the breakup of national opinion.

It is necessary to note with deep concern, the facts behind the disturbance of college campuses, which are led by some students called 'Chusa-ap', 'Sanomaeng' (Alliance of Socialist Workers) exist, that 'Sanomaeng' (League of Socialist Working Youth of Korea) of North Korea is behind 'Sanomaeng', and that behind 'Sano-chong' Kim Chong-il is controlling the leftist movements of college campuses in South Korea in the distance.

* Changing Political Dynamics of Korean Peninsula

952C0023A Seoul CHUNGANG ILBO in Korean 18, 19, 22, 24 Oct 94

[Article in five installments by reporter Kim Song-chin: "Political Dynamics on the Korean Peninsula"]

[18 Oct p 3]

[FBIS Translated Text] Testing Grounds for ROK Diplomatic Skills

The conclusion of the U.S.-North Korea talks provides a dramatic turning point for the Korean Peninsula which remains the last cold war area on earth.

A series of bilateral efforts have been made to bring down the cold war structure in Northeast Asia since 1989, and its disintegration is now on the horizon.

The reorganization of the world order, which got under way in the wake of the collapse of the East European bloc and the Soviet Union, took shape in the forms of the reconciliation between China and Russia and the ROK's successive establishment of diplomatic relations with Russia and China in the Northeast Asia in that order.

The conclusion of the U.S.-North Korea talks provides an opportunity for North Korea to join the community of nations by improving its bilateral relations with the United States and Japan.

The U.S.-North Korea settlement, on the other hand, leaves these questions unanswered: How will a genuine partnership between North and South, a factor that holds the ultimate key to dissolving the cold war structure, be established?; and what mode of contact should Korea establish with the United States, which may be called the superintendent overseeing the reorganization of the international order in Northeast Asia?

The first thing our government should do is accurately assess the situation around the Korean Peninsula.

The hard-liners in the government share the view that the existing triangular relationship between North Korea, South Korea, and the United States is being revamped in the way North Korea wants.

However, experts are unanimous in pointing out that the foremost task is to get rid of the cold war mentality as

soon as possible on the premise that North Korea will willy-nilly have to become a member of the community of nations.

Accordingly, the first thing our government should do is try to bring Kim Chong-il, who will occupy the seat of power in the halo of the U.S.-North Korea talks, to the table of dialogue.

To this end, it is necessary to revamp the government's North Korea policy, which has been in utter disarray.

Allowing North-South economic cooperation and pushing for a North-South summit will be part of the immediate tasks.

On the other hand, some cautiously suggest that our government readjust ROK-U.S. relations in light of the new environment.

As is well known, the United States is on edge lest the change in the international environment and its weakened economic strength should lead to a weakening of its international influence.

Some point out that this fear was behind the initiative the United States took in the U.S.-North Korea negotiations despite the criticism that it was making "too much concession" to North Korea.

The Clinton Administration in particular regards economic diplomacy and security diplomacy as the two sides of the coin.

Some point out that the U.S. decision on providing light-water reactors to North Korea fits in with the U.S. economic desire to explore the reactor market which remains frozen since the Chernobyl nuclear accident, and argue that even if the Korean reactor model is adopted, it is highly possible that the key parts of high added-value will be supplied by the United States, with the ROK just doing the construction work. This argument strongly suggests that now is the time our government should give full play to its diplomatic potential.

The Kim Chong-il regime in the making was forced under U.S. pressure to agree to include the North-South dialogue clause in its accord with the United States. But it remains to be seen whether North Korea will implement this clause.

North Korea has put the nuclear issue to sleep through the Geneva talks and is now going to try to receive a blood transfusion necessary to maintain its regime by improving its relations with the United States and Japan.

Nevertheless North Korea will be unable to avoid opening to the outside world in part as the pace of improvement in its relations with the United States and Japan accelerates.

Accordingly, the Kim Chong-il regime of North Korea cannot help but be concerned about modulating the pace of opening, which holds the key to the preservation of the regime.

Experts on North Korea point out that our government needs the wisdom of inducing the North Korean government in a natural way to reform and open without antagonizing it.

The wait-and-see attitude Japan has maintained so far deserves attention.

In view of its declaration that it will perform its diplomacy in a manner commensurable with its national strength, Japan is expected to make an all-out effort to take a due share in the new equation of international relations.

Admittedly, the recent U.S.-North Korea accord is an "event" that will overturn the extant cold war structure in Northeast Asia. However, it will take considerable time to adjust the existing framework of international relations because the accord has brought into the fore the economic issues which have been put on the back burner by the question of North Korea's nuclear capability.

[19 Oct p 3]

[FBIS Translated Text] U.S. Plan for Korean Peninsula

The U.S.-North Korea talks came to a conclusion on 17 Oct after dragging on for one and a half years. The desire to maintain the nuclear nonproliferation treaty (NPT) was the immediate reason why the United States made concessions. But a broader reason was its judgement that North Korea's nuclear capability poses an obstacle to peace in Northeast Asia.

The Korean Peninsula being a potential U.S. forward base of operation in the northeast Asian region, the settlement of the nuclear issue with North Korea is expected to have the long-term effect of strengthening the U.S. influence on the Korean Peninsula.

The basic goals of U.S. foreign policy are: Preventing the proliferation of mass-destruction weapons; removing the sources of regional threats; securing the market economy; and spreading democracy.

Under these goals the United States is trying to bar the appearance of a new form of hegemonism by preventing the proliferation of mass-destruction weapons and removing the sources of regional threats.

Northeast Asia, which occupies the northwestern corner of the Pacific and accounts for one-third of the world population, is important to the United States in every aspect, diplomatic, political, military, and economic.

The United States will benefit much as the markets in this region—in which China, Russia, Japan, and North and South Korea are situated—expand keeping pace with the economic growth of these countries.

In addition, continuing to maintain a bridgehead in this region where strong countries are concentrated will be of help in holding China, Russia, and Japan in check.

China and North Korea are the only countries in this region to which the United States cannot get its ideas across easily.

Russia has been having difficulty in maintaining its far eastern forces since the collapse of the Soviet Union and it can hardly expect to regain its position as a superpower in this region in scores of years.

In the case of China with a population of 1.3 billion, its economy has been growing rapidly, and its potential is enormous.

Recently, China carried out nuclear tests in the face of the U.S. efforts to suspend nuclear testing and prolong the NPT.

The warning that China will automatically intervene if the United States should use military force against North Korea, has been obstructing U.S. strategy.

China is using North Korea to improve its own position. Dr. Yu Chan-yol of the Defense Research Institute says, "Controlling North Korea is the short cut to gain the upper hand of China."

The United States is approaching North Korea under this long-range strategy.

When economic assistance is made available to North Korea in the wake of the settlement of the nuclear issue, and when North Korea's economic development is expedited by North-South dialogues, it will gradually make North Korea change its system.

Specifically, to revise its economy, North Korea will have no choice but to introduce the principle of market economics and eventually shift to the democratic system.

That is the fond logic the U.S. government uses in countering the criticism of the hard-line conservatives in South Korea as well as the conservatives in the United States to the effect that whatever concessions the United States makes in its negotiations with North Korea would only help prolong the North Korean regime which is at the end of its tether.

As far as this logic goes, drawing North Korea into a community of nations and inducing it to open to the outside world is the only way to heighten the awareness of the North Korean people and enable them to change their society in a democratic way, and the life of that society will depend on the adaptability of the North Korean regime.

In the short run, if Kim Chong-il falls, the only alternative would be the hard-line military elements. If these military elements come into power in North Korea, chances of solving the nuclear issue will recede and an acute tension will be created on the Korean Peninsula, raising the possibility that this peninsula will become a power keg.

The United States does not agree to the notion of the South Korean hard-line conservatives that North Korea will collapse soon.

The United States argues that the North Korean society secluded from the outside world might experience difficulties but could hold out, and that particularly China would not let North Korea collapse suddenly.

Under this assumption the United States decided to improve its relations with North Korea, and seeks to make ROK-U.S. joint efforts to make North Korea change while maintaining the existing joint defense arrangements and economic relations with the ROK.

Accordingly, the United States will approach North Korea from a macroscopic point of view within the basic framework of its foreign policy, which is aimed at easing tension on the Korean Peninsula in the short run and spreading the democratic values in the long run.

[20 Oct p 3]

[FBIS Translated Source]DPRK Faces Internal Struggle

The most striking development associated with the U.S.-North Korea accord which is scheduled to be signed officially on 21 October is the fact that North Korea has made a pragmatic choice of abandoning its political principles in return for the offer of light-water reactors worth \$4 billion and an exchange of liaison offices.

In the past Kang Sok-chu, North Korean vice foreign minister, strongly objected to the proposal for special inspections and the offer of South Korean type light-water reactors. But in the course of the negotiation he slyly changed his position and agreed to permit special inspections, dismantle the radiochemistry laboratory, and accept the offer of South Korean type light-water reactors.

As far as North Korea is concerned, it has virtually abandoned its nuclear sovereignty at the Geneva talks in return for an economic benefit amounting to \$4 billion and a little something extra.

The Geneva accord has paved the way for North Korea to improve the stature of the emerging Kim Chong-il regime, but it now bears the burden of having to placate the domestic hard-liners, including the military, and justify its acceptance of assistance from the United States and South Korea, its sworn enemies.

The reason North Korea has sacrificed its most important principle for the sake of practical benefits is its strategic consideration for the emerging Kim Chong-il regime and beyond.

The next goal of North Korea's diplomacy in the wake of the Geneva agreement is the normalization of its relations with Japan.

Japan-North Korea normalization talks have remained ruptured since the eighth round in December 1992.

At that time North Korea demanded a \$10 billion compensation for the wrongs done in the past.

By following up the accord with the United States, North Korea plans to wind up the normalization talks with Japan by next March or April and secure a reparation from Japan.

Said a source in our Foreign Ministry: "North Korea and Japan had very serious talks in Beijing this past August. There is a strong possibility that North Korea will resume normalization talks with Japan in November or thereabouts and try to obtain practical benefits by a behind-the-scenes contract."

However, in its diplomatic games with the Big Four, North Korea has to abandon the "doctrine of one Korea" it has advocated in the past.

In other words, North Korea will have to stop advocating the "doctrine of one Korea"—to which it has adhered so far to justify its call for a socialist revolution in the South—in return for a cross-recognition it seeks to obtain from the neighboring Big Four through the normalization of its relations with the United States and Japan.

It is difficult to say that North Korea will pursue pragmatic policies in domestic affairs as it does in the foreign policy field.

This is because all North Korean policies are focused on the preservation of the emerging Kim Chong-il regime.

Accordingly, all North Korean domestic and foreign policies become meaningful as long as they satisfy this cardinal objectives.

Kim Chong-il, who lacks his father's charisma, will for the time being emphasize the importance of the teachings left behind by his deceased father, Kim Il-song, and govern the country by mystifying him.

As long as the nuclear issue remains obscure as it does, North Korea will have no trouble. But according to experts, when international pressures mount for international inspections, among others, an all-out internal strife with the forces opposed to opening might ensue.

In this view, North Korea is expected to do its utmost to preserve the Kim Chong-il regime while carrying out buffered opening like the one which is limited to the Najin-Sonbong area.

However, in the long run even buffered opening is expected to give a lot of headache to Kim Chong-il.

This is because when outside information and goods penetrate the closed North Korean society under opening measures, however limited they may be, the inflow of information and commodities will have a great ripple effect beyond imagination.

Says Kil Chong-u, chief of policy at the Research Institute of National Unification: "Interchange with the

Western world will in the short run help Kim Chong-il in maintaining his regime, but in the long run will contribute little to its stability."

The National Unification Board [NUB] expects that North Korea will adhere to its existing policy of regarding South Korea as its archenemy.

North Korea invariably needs an enemy in order to maintain its dogmatic social system, and Seoul will be the only enemy left, now that North Korea has normalized its relations with the United States and is hastily pushing for negotiations with Japan.

In view of these North Korean moves, experts call upon our government to maintain a functional and indirect North Korea policy for the time being.

Said Dr. Kim Tok-chung of the Sejong Research Institute: "North-South relations are caught in a gridlock in all aspects because the government has pursued a piecemeal North Korea policy." "For the time being," he added, "our government should watch carefully while resuming economic cooperation."

[22 Oct p 6]

[FBIS Translated Text]Time to Overhaul Unification Policy

With the signing of the U.S.-North Korea agreement in Geneva as an occasion, voices calling for a wholesale review of the government's unification policy are growing louder.

The environment around the Korean Peninsula as related to our unification issue is rapidly becoming internationalized and more of a non-zero sum game thanks to the post-cold war tide. On the contrary, the zero sum game played between Seoul and Pyongyang on the premise of North-South confrontation still remains the keynote of the operation of our policy toward North Korea.

A glance at the course of negotiations on the nuclear issue in the past one and half years shows that our government has been in a mess in the execution of its North Korea policy because it was marred by a lack of negotiating skills, an inadequate policy coordination, and departmental egoism—a performance that can hardly be glossed over as a chance error.

In a word, while the environment of the unification issue is rapidly changing to the style of the 1990's, the hands of the clock stay pointed at the decades of the 60's and 70's as far as the way of thinking and the system of operation for our unification policy as well our policy toward North Korea is concerned.

The most striking change that has taken place in the keynote of our policy toward North Korea since the inauguration of the civilian government is that the president's view of the North takes precedence over the unification policy.

In other words, the keynote of our unification policy, no matter how much it is inclined to peaceful coexistence, will change overnight depending on the nature of the president's remarks about North Korea.

In fact, in his inaugural address President Kim Yong-sam expressed his view of North Korea based upon the nation-comes-first doctrine by saying, "No alliance can take precedence over the nation."

As a result, the government's North Korea policy took a conciliatory note, which culminated in the repatriation of the old man Yi In-mo to the North.

But when North Korea subsequently announced its decision to withdraw from the nuclear non-proliferation treaty [NPT], President Kim reacted by declaring that "we cannot shake hands with one who brandishes nuclear weapons." As a consequence, our North Korea policy changed overnight to an out-and-out hard line.

Concerned officials of the NUB and the Ministry of Foreign Affairs explained that this kind of about-face is unavoidable in a country under a presidential form of government.

According to Deputy Prime Minister Yi Hong-ku, all responsibilities for state affairs under the constitution falls on the president, and the main role of each ministry concerned is just to explain to the person responsible for state affairs about the merits and demerits in choosing a particular policy and execute the policy chosen by him.

Experts say that under this kind of system the president's staff should assist him well so that he may avoid micro managing state affairs and concentrate on achieving coordination and consistency in policies.

In case the president expresses a prior opinion regarding a matter in progress, it will curtail the latitude of the ministry concerned, leaving little room to maneuver as it wishes.

A typical case in point is the issue of providing light-water reactors to North Korea. The negotiation on the nuclear issue has wound up in the form South Korea made to undertake paying \$4 billion to buy the transparency of North Korea's nuclear program.

Experts point out that in the early stage of negotiation President Kim abruptly came up with the suggestion that "the ROK will pay" and it was a serious mistake in our negotiating tactics.

According to experts, even if we were ready to pay, we should have said "The ROK cannot pay," at the early stage of negotiation, and should have held out until the United States obtained a lot of counter offers before promising to help North Korea with light-water reactors.

Said an expert at the Institute of National Unification: "Because the president promised so early to the United States to provide assistance with regard to the \$4 billion

aid that we lost a powerful lever from the early stage of negotiation and ended up buying the nuclear transparency."

The government measure to link economic cooperation to other issues is another case of sacrificing the effectiveness of policy by sticking to principles.

The consensus of opinion among experts is that the Korean question is becoming more and more internationalized and multi-faceted simultaneously as illustrated by the U.S.-North Korea normalization, the offer of light-water reactor to North Korea, and the outstanding issues of North-South economic cooperation and North-South dialogue, and that on the contrary, our North Korea policy is poorly formulated overall. They point out that now is the time to examine the government's ability to orchestrate all aspects of its North Korea policy

[24 Oct p 6]

[FBIS Translated Text]Re-Examination of ROK-U.S. Relations

The conclusion of the U.S.-North Korea negotiation on the nuclear issue has a far more important significance in that it has radically changed the international situation around the Korean Peninsula by ending the enmity between North Korea and the United States than its primary significance that it has settled the issue of North Korea's nuclear capability.

This is because the normalization of U.S.-North Korea relations will lead to a thaw in Japan-North Korea relations sooner or later and a cross-recognition of North and South Korea by the neighboring Big Four regardless of whether our government likes it or not.

The establishment of relations between North Korea and the Big Four will mark the starting point for a lasting peace on the Korean Peninsula, and at the same time, it presages a full-fledged diplomatic rivalry among the Big Four.

Given the tendency of all countries to regard their national interests as the foremost goal of their foreign policies since the collapse of the cold war structure, the Big Four will try to increase their influence and seek their national interests by using North and South Korea as a lever.

Most experts say in one voice: "Our government has now been thrown into a new environment in which it has to compete with North Korea in the foreign relations field aside from the United States, our permanent ally." It is high time we reexamine where the ROK-U.S. relationship stands now."

The improvement of U.S.-North Korea relations does not necessarily mean a loss to the ROK-U.S. alliance. But now that the United States has recognized the existence of North Korea, it will not be able to maintain its one-Korea policy as it did in the past.

Therefore experts point out that the future U.S.-ROK relationship needs a qualitative structural change transcending the emotional level of "blood relations" or "relations of vital importance."

Of course, it is unlikely that the United States will immediately respond to the North Korean offensive for a peace agreement or its demand for the withdrawal of U.S. troops from South Korea, rocking the ROK-U.S. relationship to the foundations.

These issues are directly linked to the security interest of the United States itself.

However, as shown by the process of settlement of the nuclear issue in the U.S.-North Korea talks, ROK-U.S. relations could be thrown into confusion when the North Korean maneuver to exclude South Korea is combined with the U.S. confidence that it "can buy North Korea with money."

Said Prof. Choe Chang-chip of Koryo University: "We too need to change our way of thinking bent upon using the United States as a lever. Therefore, now is the time for our government to get rid of its cold war mentality and set about establishing an independent relationship with China and other neighboring countries."

Experts say that in addition to redefining ROK-U.S. relations, it is also one of the important tasks facing ROK diplomacy to improve our relations with China, Russia, and other countries which have traditional friendly ties with North Korea.

Prof. Chon In-yong of Seoul University holds this opinion: "In respect of future North-South relations and the influence of the Big Four over North Korea, China will play the most important role among the Big Four."

Professor Chon points out: "If any one of the Big Four objects to the unification of Korea, it would become a major obstacle to the process of unification. He maintains that our government should work out ways to convince our big neighbors that a unified Korea will not undermine their national interests."

In short, this is to say that our government should establish a cardinal diplomatic principle consistent with the post-cold war international tide, and on this basis unfold a fool-proof diplomacy.

In the past our government has been in disarray over every important issue, such as a North-South summit, an exchange of special envoys, and special nuclear inspections, with different ministries uttering their own voices. The government has stuck to its unrealistic hard-line stand, thereby binding its own hands and feet and driving itself into a corner.

In regard to the argument about the special nuclear inspection issue, most experts agree that our government has adamantly adhered to its unrealistic hard-line stand and brought upon itself the effect of narrowing down the

latitude of its own position. They call for a broader point of view and a mature diplomacy.

When all is said and done, we come to the conclusion that unless our government sets about establishing a new form of relationship with the United States and the rest of the Big Four from a sound and farsighted point of view and keeps the public posted on its intention and elicits a national consensus, it would find difficulty in coping with the changing situation in Northeast Asia.

* Former Presidents View Korean Situation

942C0196C Seoul WOLGAN CHOSON in Korean Aug 94 pp 221-228

[FBIS Translated Text] "Regarding Kim Il-song's Death"—Former President Choe Kyu-ha

As an individual who experienced the June 25 Korean war and as an individual who visited Pyongyang as one of the Seoul alternate delegates of the South-North Coordinating Committee in November 1972 and in March 1973, I experience complicated feelings as I hear and see responses regarding Kim Il-song's death. Kim Il-song was the ruler of North Korea, who was not satisfied with having driven nails into the chests of numerous fellow countrymen by causing casualties of more than 1 and 1/2 million lives of Republic of Korea soldiers, UN Forces, and civilians and more than 10 million people of separated family members, by starting the tragedy of the June 25 fratricidal war, and has tormented us with innumerable challenges and provocations such as the January 21 incident, the incident of the Pueblo abduction, the Panmunjom axe murder incident, the Rangoon bombing incident, and the KAL bombing incident.

Although we have the experience of seeing no results despite our hopes that even a little settlement could be made in the South-North relations at the time of the 4 Jul Joint Communique, we expected that they might make this opportunity on June 25 to do something good for the country. However, there is a limit to human life and Kim Il-song failed to do even that. The North Korean economy was ahead of the economy of the Republic of Korea for a considerable period after the liberation, based on the industrial facilities which were concentrated in the North before the liberation. However, since the late 1970's it has been reversed due to our efforts to develop national strength through economic development plans which began in late 1960's. Now the gap in the per capita has widened to less than one eighth of South Korea. Kim Il-song eventually left a legacy of economic bankruptcy to the North Korean people before he died. It has already been known that Kim Chong-il, who has been preparing for succession for a long time, will take over the power after Kim Il-song's death. We have to wait and see what sort of foreign policies and what sort of South Korea policies he will adopt. There are controversies regarding the future policy approaches of Kim Chong-il. There are diverse opinions. Some say

he will open up partially and some say he will make daring reforms, quoting the Chinese case. Chinese reform and open policy took a long time and was possible gradually after going through many problems. They untied the link of ideological chains one by one. It seems that China has adopted market economy in practice although its system is communism. We should watch what approaches North Korea will take in the future.

Reunification is our national desire. Reunification is important, but what is more important is what will be the values on which the society of our fatherland is based. Of course, it should be a free democracy and a market economy. Only by doing so, can the living standard of the North Korean people, who are our fellow countrymen, be improved. We want peace and we want the settlement of issues and the improvement of relations through dialogue. I believe the question is, when will North Korea cast away its strategies of unifying by communizing the south through nuclear development, and advance toward peaceful reunification step by step by sincerely resolving current South-North issues with us. Therefore, we should be patient and carefully establish countermeasures to cope with the situation, closely watching the moves and directions of North Korea in the meantime.

"He Eventually Died Without Doing Something Good"—Former President Chon Tu-hwan

Former President Chon Tu-hwan was playing sports with relatives in a suburb of Seoul on the day the news of Kim Il-song's death was announced. He heard the news of Kim Il-song's death from his accompanying secretary while participating in the sport. At that moment former President Chon spoke what had been in his mind: 'He eventually died without doing something good.' He immediately returned to his home in Yonhui-dong. Later, he expressed his opinion on the future prospect of the Kim Chong-il regime and the Korean peninsula to his family members, close associates, and visitors. One of the close friends who was there conveyed that former President Chon said the following: "In 1985, when I was in office, I told Ho Tam, who visited Seoul as an emissary of North Korea, the following: 'Please convey to Kim Il-song without fail, the message that more than anything else there should be no more war on the Korean peninsula. If a war breaks out, we will suffer, too, but your side will not be safe either. The country will be ruined. Let us do something good one by one. As for the issue of the separated family members, let us make it possible to visit hometowns reciprocally even in a limited scope. Since you are now elderly, do something good before you die.' However, Kim Il-song eventually died without doing that good thing." Former President Chon also said the following at a family gathering: 'As for my love and hate for Kim Il-song, there is no love and only hate. Even for the development of the country it is good thing he, who brought on the tragedy of the country's division, died. Only when Kim Il-song is dead, can there be changes in the South-North relations and a breakthrough. Some people may feel regretful that Kim Il-song

died suddenly with the summit meeting ahead, but that is wrong. I don't know how other people viewed it, but I believed that it was no use to have summit meetings as long as Kim Il-song was in power. I mean there would be no result even if we had summit meetings. In 1985, the North Korean side dispatched Ho Tam as an emissary to Seoul and proposed a summit meeting. It was to propose that the South and the North jointly host the Olympic games in Seoul and Pyongyang. At that time, Kim Il-song sent his personal letter expressing his 'sincere wish that we meet once.' However, I did not meet him. Kim Il-song, while making such a proposal to us, was playing the duplicitous game of threatening IOC President Samaranchi that if the Olympic games were unilaterally hosted by Seoul, North Korea would not stop short of even going to war. At that time, I saw through Kim Il-song's crafty tactics. I instinctively knew that no matter how many summit meetings I had with Kim Il-song it would not accomplish anything. I judged that if the heads of both the South and the North met for summit talks it should create some helpful results, but meeting him at that time would have only created confusion. It is said that former President Chon viewed that Kim Il-song's death would bring changes not only to the North Korean regime but also to South-North relations. It means that even if his son Kim Chong-il takes over the reins of power, the internal part of North Korean society will inevitably see changes and South-North relations, too, will unfold different situations. He said generally the following to his family members: 'Due to Kim Il-song's death our situation has become easier in dealing with North Korea. The reason is that Kim Il-song was a war criminal who killed innumerable fellow countrymen by provoking a war. Let us speculate that South-North relations would have entered a conciliatory stage following summit talks with him. Still, our press could not address him, a war criminal, as something like 'Grandfather President Kim Il-song.' Precisely speaking, Kim Chong-il is not a war criminal and, therefore, there is no such burden.'

Kim Chong-il definitely is not an individual to be treated lightly. According to a close attendant, he evaluated Kim Chong-il as definitely not an individual to be treated easily or simply. Although it is true that Kim Chong-il ascended to the throne of power because he was designated as the successor by his father Kim Il-song, we should pay attention to the fact that he survived the cold-hearted power struggle, which can be seen only in a royal court of the monarchial age, and won the victory. He also said that we should not fail to consider the fact that Kim Il-song has trained him in politics in order to build the succession regime. It is former President Chon's observation that Kim Chong-il is a man of strategy and a strong individual without any doubt. However, he said that former President Chon had a negative view about the future of the Kim Chong-il regime. He is quoted to have said as follows: 'The Kim Chong-il regime will not last long. It is just my instinct

based on my experience rather than a scientific evaluation. It is difficult to rule the country effectively in such a situation. He must face the task of settling the relations with the retainers of meritorious services who originally were members of the partisan group. In other words, he must overcome the anticipated frictions between the new and the old generations of the power. Moreover, he personally has no experience of military service. There are great possibilities that he might make unreasonable decisions in dealing with national security issues. Just during the period when I was in office, he ordered the Rangoon bombing incident, the abduction of Sin Sang-ok and Choi Un-hui, and the KAL bombing incident. His period of growing up could be an obstacle to becoming a leader who makes normal judgments. It is said that he grew up under a stepmother and that he is self-righteous because he has been overprotected since his boyhood. Anyway, in my opinion, it will be decided soon whether the Kim Chong-il regime will survive or collapse. It depends on how soon he gains control of the North Korean regime.' According to a family member, former President Chon also pointed out that our government should carefully think about the issue of recognizing a regime which is succeeded by a son, which is unprecedented throughout the world. The Kim Chong-il regime will attempt to win recognition from foreign countries in order to solidify its internal basis. In that case, recognition by the Republic of Korea Government, more than anybody else, could be a decisive support for Kim Chong-il. He said that former President Chon said, 'Whether or not we recognize the Kim Chong-il regime, which is a personal dynasty, could be an important strategy in South-North relations.'

"There Is No Need To Rush Toward S-N Summit Talks"—Former President No Tae-u

He, who owed a large debt to the country, left without paying it, said former President No Tae-u when he heard the news of Kim Il-song's death at his home in Yonhui-dong. As he watched news on the television, he did not make any immediate comments. It is said that also when former senior aides of the Bluehouse (presidential office) were gathered at Yonhui-dong next day he was mostly listening. He is quoted as saying, 'At this time we should closely watch the situation developing in North Korea and be more careful.' Only at a gathering of family members did he express his personal feeling regarding Kim Il-song's death. 'He owed a large debt to the country, but he left without paying it.' According to a family member, former President No showed an attitude of trying to refrain from making any comments regarding Kim Il-song's death and the prospect of the North Korean regime following it. The family member said that it seemed it was because of his concern that any prospect or prejudgment regarding the North Korean regime at this time might cause confusion in evaluating the situation. However, at the repeated request of the monthly CHOSON he conveyed the following comments in gist through a close aide: 'Kim Il-song owed a large debt to the country. The June 25 Korean war, which he

provoked by invading the South, was an awful national calamity and it decisively perpetuated the divided confrontational structure on the Korean peninsula. For this reason, history will never forget Kim. Moreover, he placed North Korean people in a confinement where no human rights exist by establishing a personal dynasty in North Korea and ruling for 49 years. My view is that Kim Il-song's death will not only open a new way in the future of North Korea but also could work as a decisive turning point in South-North relations. It is unprecedented in modern civilized societies for a father to have his son succeed the ruling power. In this view, it is fully understandable that some in our society have negative opinions for the Kim Chong-il regime. However, when the Kim Chong-il regime becomes official in North Korea, we have to accept its political reality. What I am saying is that under the basic philosophy that we reduce tension and seek reconciliation and cooperation through official dialogue between the South and the North we cannot but recognize the Kim Chong-il regime as the dialogue counterpart. Still, I believe there is no need to hasten for South-North summit talks with Kim Chong-il. I think it is desirable that we should be patient with this matter and deal with it carefully and wisely. The Kim Chong-il regime should resolutely get rid of the dogmatic CHUCHE ideology and the falsehood of 'one Korea' derived from it, recognize the reality of the situation of the Korean Peninsula, and adopt the approaches of reform and open state policy. I believe that if the Kim Chong-il regime officially gives up its fictitious 'liberate South Korea' approach and clears itself from the nuclear suspicions, the South and the North could work out true reconciliation and cooperation in their relations.

I believe it is desirable that the South-North dialogue should proceed based on the frame of the 'Agreement on reconciliation, non-aggression, and cooperation between the South and the North' and 'Joint communiqué on non-nuclearization of the Korean Peninsula', which were signed in December 1991 and became effective in February 1992, when I was in office. The Korean Peninsula is faced with a new turning point which could be used as an opportunity to upgrade the South-North relations one level. How to utilize this opportunity totally depends on the ability of our people. I believe the government should deal with the new situation with this in mind.

North Facing 'Worsening Food Shortage' in 1995

*SK3012115994 Seoul KBS-1 Radio Network in Korean
1100 GMT 30 Dec 94*

[FBIS Translated Text] Today, Western businesses sources based in Beijing said: As North Korea is facing a worsening food shortage problem with each passing day, it seems that North Korea will suffer a shortage of a total of 500,000 tonnes of grain—such as rice, corn, and beans—next year.

Those business sources are conducting frequent business negotiations with North Korean economic and trade officials based in Beijing. The sources said: We have

confirmed with some high-ranking North Korean trade officials, with whom we have recently met, that North Korean authorities are racking their brains to solve their severe food shortage problem. They are looking at the situation from all angles in order to solve it, because it is expected that they will suffer a shortage of about 500,000 tonnes next year.

The sources went on to predict: North Korean officials are negotiating with China by paying frequent visits to its northeast region, including Jilin Province, and Beijing, in order to obtain food aid—which is in short supply—from the Chinese Government. Thus, it seems that the amount of Chinese aid—grains—to North Korea will increase greatly next year.

Other sources added: North Korea is actively conducting business negotiations in Hong Kong and other areas concerning importing rice from Southeast Asian countries, including Thailand.

North 'Intensified Campaign' Against South Noted

SK2912130894 Seoul YONHAP in English 1057 GMT 29 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP)—North Korea has launched an intensified campaign against South Korea, demanding the repeal of the National Security Law and the removal of "concrete barriers."

NAEWOE PRESS reported Thursday [29 December] that the drive kicked off on last Dec. 12 when the North Korean Supreme People's Assembly sent letters of appeal to the parliaments of all world countries and leading politicians, asking for their support in the effort to "get the law repealed and the barrier dismantled."

All North Korean missions abroad have since been selling the appeal in a series of press conferences, alleging that both the National Security Law and concrete barriers are the "biggest roadblock to reconciliation and unification" on the Korean peninsula.

"All the world's conscientious forces aspiring for peaceful unification of the Korean peninsula should have positive interest in the matter," a North Korean diplomat said in a recent press conference.

Also in the campaign, local pro-North Korean organizations are made to issue statements of their own in support of the North Korean appeal.

Such organizations include "friendship associations," "committees for the support of Korean unification" and "chuche thought institutes" in Nepal, Zimbabwe, Burundi, Mozambique, Guyana and India, NAEWOE said.

Ministry: N-S Accord Required for Peace Pact

SK3012074894 Seoul YONHAP in English 0739 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—The South Korean Government on Friday told the

United States that an inter-Korean accord must be a prerequisite to replacing the present Korean Military Armistice regime with a peace treaty.

The director-general of the Foreign Ministry's American Affairs Bureau, Chang Chae-yong, conveyed the position to U.S. Deputy Assistant Secretary of State Thomas Hubbard, who called on the former Friday afternoon after passing through the truce village of Panmunjom from Pyongyang accompanied by U.S. airman Bobby Hall.

Expressing Seoul's concern about Pyongyang-Washington negotiations over a U.S. Army helicopter that strayed into North Korean airspace on Dec. 17, Chang urged the United States, taking into account Pyongyang's political propaganda, not to contact the North through a channel other than the Military Armistice Commission.

Briefing Chang on his negotiations with North Korean authorities on the release of Chief Warrant Officer Hall, Hubbard played down the "military contact" referred to in the North Korea-U.S. Memorandum of Understanding as representing the Military Armistice Commission channel, according to the Foreign Ministry spokesman.

Hubbard also reportedly dismissed as untrue Pyongyang's assertion that the release of long-time North Korean prisoners who refuse to switch their political allegiance was included in the Memorandum of Understanding.

Hubbard was to fly back to the United States after holding a press conference at the U.S. information service in Yongsan, Seoul Friday afternoon.

North 'To Allow' Overseas Koreans' Event Visit

SK3012080394 Seoul CHUNGANG ILBO in Korean 30 Dec 94 p 2

[By correspondent Yi Chan-sam from Chicago]

[FBIS Translated Text] North Korea has decided to allow compatriots residing overseas, including the United States and Japan, to visit the North without a limitation from 25 April to 2 May 1995 in order to successfully hold the "Pyongyang International Sports and Culture Festival" which will be held during this period.

According to a well-informed North Korean source, North Korea is actively promoting the compatriots' visit the North in cooperation with Korean tourist businesses in the United States.

N-S Cooperation at Small Enterprise-Level Noted

SK3012094394 Seoul KYONGHYANG SINMUN in Korean 30 Dec 94 p 2

[By reporter An Chi-yong]

[FBIS Translated Text] Despite the recent stalemate in North-South economic cooperation, North Korea is reportedly promoting small-scale economic cooperation with ROK small and medium-sized enterprises through the Koryo National Industrial Development Association [Kominbal], a channel for North Korea's trade with South Korea. This draws our special attention.

Kilsang Medicines Company (representative: Kim Chong-sang) revealed on 29 December that it has signed—through Wenda Economic and Trade Corporation based in Dandong, China—a contract on cultivating material used in Chinese herbal medicines with two North Korean state-run trading companies dealing with Chinese herbal medicines, namely, Korea Mannyon Pogon Company and Korea Kwangmyong Song Corporation, which are under the Kominbal.

This is the first time North and South Korean business enterprises have made a contract to cultivate materials for Chinese herbal medicine in North Korea.

Kilsang Medicine Company also revealed that besides this project, it is also promoting, along with other small and medium-size enterprises in South Korea, six to seven other small-scale business projects with North Korean business companies. It revealed that one of the projects is to build a plant to produce sesame oil in North Korea on a processing-on-commission basis.

Also, Yongsin Trade Company and Taedong Chemical Company in Pusan, which are both shoemakers, have reportedly attained governmental approval to visit to North Korea and are poised to enter North Korea early next year. Their negotiations with North Korean partners on matters related to processing-on-commission production in North Korea reportedly have been in progress.

Students Arrested for Publishing DPRK Booklets

SK3012015294 Seoul THE KOREA TIMES in English 30 Dec 94 p 3

[FBIS Transcribed Text] Two university students were arrested yesterday on suspicion of violating the National Security Law for engaging in pro-North Korean activities.

The Seoul Metropolitan Police Agency said Sokyong University students Hwang In-mun, 22, and Yu Hyocha, 22, allegedly publish campus booklets advocating establishment of socialism through violent overthrow of the government in South Korea.

They were caught distributing 3,000 copies of the booklets to university students.

In the booklets, named Kukche (international), they totally refute the capitalist system, asserting that it faces inevitable disintegration due to structural contradictions.

The police confiscated 60 pieces of printed materials including the booklets as evidence. They have led the publishing committee of the campus booklet and have acted as members of an underground club named "Left Block," in the university, the police said.

*** North Accused of Promoting Opium Farms**

942C0198A Seoul CHOSON ILBO in Korean 7 Aug 94 p 5

[By reporter Kim Yon-kuk]

[FBIS Translated Text] It is shocking that North Korea is pushing drug smuggling to the national level according to the report of Russian newspaper, Komsomolskaya Pravda. However, this fact is not new. North Korea has already been involved in drug smuggling by mobilizing diplomats for the last 20 years, and the government organization began to shove the production and smuggling aggressively as the lack of foreign currency was getting severe in the 1990's.

Most of all, in early 1992, the area of (poppy) cultivation has increased explosively in accordance with Kim Il-Song's 'inside direction' that "every province is encouraged to cultivate poppy on a large scale so that more foreign currency could be earned." Before 1992, the area, centered in the countryside of Hamkyong Province and Yangkang Province, was about 1.3 million-pyong, but it has increased ten times to 12.8 million-pyong. Experts estimated this area could produce about 30 tons of opium every year. It could be worth \$360 million under the assumption that the international opium price is \$12,000 per kilogram.

The known area of poppy cultivation so far has spread to almost all of North Korea such as 'the herb garden' of Kaesong municipality, the herb farm and pharmaceutical farm of Yongbyon in North pyongan Province, the Sangwon County of Pyongyang City, the Kowon County of South Hamkyong Province, the Chonnae County of Kangwon Province, the Yonsa County of North Hamkyong province, and the Paekam County of Yangkang Province. It is also known that North Korea cultivates poppy at the concentration camps for political prisoners. According to the defected Kang Chol Hwan's witness, who was a prisoner from the Yotok concentration camp in South Hankyong Province, the opium field in the Ku-up district of the concentration camp is about the size of 9,000-pyong.

It is estimated that the poppy cultivation of North Korea began at the end of the 1970s in order to break through the severe lack of foreign currency. That was the period in which North Korea caused international criticism because North Korean diplomats were expelled one by one after disclosure of drug smuggling through overseas legations. North Korea continued smuggling drugs through overseas legations and the number of disclosures reached twenty four cases in nineteen countries. Until the late 1970s, North Korea's mainstay was earning

foreign currency through brokerage, collecting drugs from the Middle East or Southeast Asia and selling them to international drug organizations through legations in Eastern and Northern Europe. They did this by taking advantage of diplomatic privileges and pouches. In the 1980s, however, it appears that North Korea changed to more profitable direct cultivation and a direct sale policy rather than the brokerage business.

In the 1990s, North Korea, which increased the area of cultivation, has recently built processing plants in Hamhung City (Hungnam Pharmaceuticals) and Nanam City (Chongchin Pharmaceuticals) and has promoted opium as a national business.

Some processes such as making anesthesia out of opium juice at the first process and making morphine and heroin at the second process are carried out at these factories. Recently, however, it is known that North Korean government authority is driving medical school students and even junior or senior high school students to attend juice extraction projects as poppy cultivation has increased and man power is in short supply.

Processed opium, which is worth \$10,000 to \$18,000 per kilogram, is smuggled out to China, Russia, Africa and South America by staffs in the Ministry of Foreign affairs and the Ministry of Trade. It is known that the Finance and Accounting Bureau of the Central Party Room 39, whose purpose is the safety of Kim Il-song and his son, and 'Daesong Trading Co.', which is under Room 39, are in charge of poppy cultivation, opium processing, and smuggling out.

Room 39 and Daesong Trading Co. are in charge of export, collection and management of the fund while Chongmuwon (the executive branch) is in charge of poppy harvest under the special guard of the exclusively supervised troop.

North Korea makes the most of the diplomatic pouches for the transportation of opium. The reason is that diplomatic pouches can be easily avoided in the customs search in the countries of residence by taking advantage of diplomatic privileges. Until the collapse of the U.S.S.R., drugs were transported to the North Korean Embassy in Moscow, and then to middle posts such as Europe, South Asia and North Africa by 'liaison officers' who are in charge of transportation. It is also known that North Korea is working hard to open new overseas market as the amount of poppy cultivation has increased in the 1990s. North Korea is trying to find clients through resident employees of 'the Nungra Trading Co.', which is under the Party who reside in China, Hong Kong, and Germany, and are trying to contact the international drug crime organizations. At the same time, North Korea is sending opium to Chinese and former Russian territories through illegal trading in the border area.

Loggers, especially, carry opium, which is supplied by the executive members of hospitals, and exchanged for

electronics, clothing, and medicine, and mail under the pretense of legal purchases with North Korean currency when they are dispatched to Siberia or they are taking vacation.

The money from the drug sale mostly goes to Kim Chong-il's personal safe. It is understood that a sizable sum of the money is deposited to the secret accounts of Kim Il-song and his son in foreign banks and the rest is spent for their cost of living, maintenance of official residences, and support for the activities of anti-South Korean terrorists. It is also known that a part of the money is spent for food expenses such as rice and corn in order to prevent riots from the people and for the expense of special foods for the holidays.

(South) Korean authorities understood that Kim Il-song has given instructions to call poppies the white Chinese bellflowers and to manage the staff in this business carefully because it could be a national disgrace as well as an international issue if this fact is known to foreign countries even though he encouraged cultivation of the poppies on a national scale.

Recently, however, it became an international issue because of the disclosure that the Social Security Agency (police) is leading the illegal drug business.

Acceptance Paper for WTO Creation Presented

*SK3012052694 Seoul YONHAP in English 0448 GMT
30 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—South Korea has submitted the instrument of acceptance for the Marrakech agreement establishing the World Trade Organization (WTO) to the General Agreement on Tariffs and Trade (GATT) Secretariat via its Geneva representative office Friday, the Foreign Ministry announced.

With the presentation of the documentation, the country is poised to become an original WTO member with other trading powers such as the United States, Japan and the European Union (EU), with the WTO agreement taking effect Jan. 1, 1995.

The international trade accord was ratified by the National Assembly on Dec. 16 and signed by President Kim Yong-sam on Dec. 27.

The government plans to play an active part in WTO operations to further the national interest, considering South Korea's position as the world's No. 12 trading nation.

Seoul Discusses Support of Kim's WTO Bid

*SK3012025194 Seoul YONHAP in English 0203 GMT
30 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—The government discussed supporting former Trade, Industry and Energy Minister Kim Chol-su's bid to

become director-general of the World Trade Organization (WTO) at a high-level meeting Friday.

Attending the meeting presided over by International Trade and Industry Minister Pak Chae-yun were representatives of Chongwadae (the office of the president), the Finance-Economy, Foreign, International Trade-Industry and Information ministries, the Korea Foreign Trade Association and the Korea Trade Promotion Corp.

The WTO will formally set sail in January as the watchdog agency for the Uruguay Round multilateral trade agreement reached in late 1993 to establish a new world trade order.

The government has already named Kim ambassador-at-large for international trade.

Extradition, Legal Pacts With Canada Reported

SK3012075894 Seoul YONHAP in English 0719 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—The Korea-Canada extradition and mutual legal assistance pacts will come into effect on Jan. 19 and Feb. 1, respectively, as the two countries have completed the necessary procedures, the Foreign Ministry announced Friday.

Under the extradition treaty, a fugitive charged with a crime carrying a prison term of one year or longer will be handed over to the country from which that person fled. This accord will help prevent criminals of either country from seeking refuge in the other, while promoting cooperation in bilateral criminal investigations, ministry officials said.

The mutual legal assistance treaty has laid the legal groundwork for the two countries to cooperate in preventing and investigating crimes and bringing criminals to justice.

State-Invested Companies Advised To Reorganize

SK3012064994 Seoul YONHAP in English 0557 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—State-invested companies will be restructured shortly in line with the recent reorganization of government ministries and agencies.

In recent inspections of these firms, the Board of Audit and Inspection (BAI) advised 11, including Korea Development Leasing, Korea Development Securities and Korea Technology Finance, to do away with a combined total of 12 unnecessary posts created for specific people such as board chairman and advisers.

Korea Development Securities and five other firms spent a combined 806 million won on holders of such unnecessary posts last year, according to the BAI.

Such budgetary waste by Korea Housing Investment Management and five other firms last year totaled 361 million won. As a result, trimming these posts at the 12 firms would save 1,167 million won from their budgets each year, BAI officials said.

In particular, Korea Business Development Finance, an affiliate of the Industrial Bank of Korea, used 600 million won, 28.5 percent of its annual budget, for seven such unnecessary posts.

Four companies, including Korea Communications Promotion and Seil Information and Communications, were told to review their raison d'être, as they were found to be relying entirely on their parent companies, such as Korea Electric Power Corp. and Korea Telecom, in their business relations.

For instance, Korea Tobacco Automat, a firm set up by Korea Tobacco and Ginseng Corp. in 1990 for to maintain and repair cigarette vending machines, subcontracted out some 100 million worth of contracts awarded by the parent firm to specialized private firms last year as it has insufficient technical staff.

Seil Information and Communications, a software development subsidiary of Korea Electric Power Corp., also had to subcontract out a considerable portion of contracts with the parent firm to private companies because of its low technical level.

DP Head Urges National Convention Before Jun

SK3012011194 Seoul YONHAP in English 0041 GMT 30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—Opposition Democratic Party (DP) Chairman Yi Ki-taek has indicated he may resign unless his demand for an early party national convention is met.

During a year-end party at a Seoul restaurant Thursday night, Yi said he had committed himself to making a "grave resolution" if the political situation diverged too much from his ideal political vision.

"I would rather seek my own way if my political objective becomes too distant from what I had thought before," he said.

Yi said he felt shame when he drew his own portrait of a man lacking in leadership and decisiveness who spends considerable party funds, adding that "I am in serious agony over my continued stay as party chairman with such a poor portrait of myself."

As to the timing of the national convention, Yi asserted that the big event should be held before the local autonomy elections slated for June.

The people will not support the DP if it fails to behave as a major opposition party in the true sense by striving to govern the country in future.

He then criticized the Tongkyo-tong faction, the largest group within the party which is demanding the national convention be held after the local elections, wondering: "How can we go on this way knowing that we are sure to lose in the local elections except for a limited region?"

President Kim Hosts Dinner for Senior Officials

*SK2912131194 Seoul YONHAP in English 1137 GMT
29 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP)—President Kim Yong-sam on Thursday [29 December] evening hosted a dinner at Chongwadae [presidential offices] for a group of senior administration officials and their spouses.

Invited to the presidential dinner were Prime Minister Yi Hong-ku, 75 minister- and vice-minister-level officials and senior Chongwadae secretaries including Chief Secretary Han Sung-su, and their spouses.

During the dinner, President Kim emphasized the importance of the recent government reorganization and reshuffle of senior officials, asking the attendees to do all they can to promote the nation's globalization and better prepare the country for unification.

President Kim Discusses Economy With Ministers

*SK3012052894 Seoul YONHAP in English 0445 GMT
30 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—President Kim Yong-sam expressed hope Friday that consumer prices will not increase by more than 5 percent next year.

President Kim told economy-related ministers that the economic growth rate should be maintained at a proper level next year to stabilize the consumer price rise at around 5 percent.

Hong Chae-hyong, deputy premier and finance-economy minister, eight other economy-related ministers and some presidential secretaries attended the expanded economy-related ministers' meeting at Chongwadae.

President Kim instructed them to refrain from instigating high price hikes in 1995 by raising most public utility charges at the beginning of the year.

"Due to the continued business upturn and massive inflow of foreign capital, the government may have difficulty managing currency and prices," the president worried.

Especially, Kim hoped that local self-governing bodies and the board of finance and economy will consult with each other in controlling prices.

The most urgent issue the country must resolve to enjoy economic success is the labor-management problem, Kim said.

He emphasized that the government should help secure cooperative labor-management relations and take decisive measures against unlawful labor disputes.

The president also instructed the government to find ways of helping small businesses.

"I recently heard that small businesses are in a difficult situation in various respects including foreign exchange rates, funding and interest rates. The government should help small businesses avoid bankruptcy due to a temporary shortage of funds," Kim said.

Market: Won Strengthens Against U.S. Dollar

*SK2912093594 Seoul YONHAP in English 0734 GMT
29 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 29 (YONHAP)—The Korean won rose against the U.S. dollar Thursday [29 December] to trade at less than 790 for the first time in two years, the Seoul Foreign Exchange Market said.

The won's spot exchange rate began from 790 per greenback in the morning and continued to drop, trading at 789.50 at 10:50 A.M. [0150 GMT]

It is the first time the won's exchange rate has gone below 790 per dollar since the Korean currency traded at 788.20 on Jan. 5, 1993.

Market officials attributed the strengthening of the won to a massive inflow of dollars caused by the recent rapid increase in exports.

Current Account Deficit Said at \$4.7 Billion

*SK3012024794 Seoul YONHAP in English 0122 GMT
30 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—South Korea's current account deficit is expected to reach 4.7 billion U.S. dollars this year, the Bank of Korea said Friday.

In a report on "the balance of international payments in November," the bank said the current account deficit in November amounted to 260 million dollars to increase this year's deficit to 4,680 million dollars.

The deficit amounted to 170 million dollars in the January- November period last year.

A Bank of Korea official said, "imports began to soar from last August due to the continued business upturn. Imports of capital goods increased 40 percent each month, while imports of consumer goods rose 30 percent in both October and November."

But the trade deficit, which hit 3,140 million dollars through November this year, dropped to 2.4 billion dollars as exports expanded in December. In contrast, the invisible trade balance and unrequited transfers are

likely to record a 2.3-billion-dollar deficit for the whole of this year, with a shortfall of 1,540 million dollars through November.

Therefore, the total current account deficit this year is expected to stand at 4.7 billion dollars, the report said.

The trade deficit was 130 million dollars in November compared to 60 million dollars in the previous month, while unrequited transfers showed a 9-million-dollar deficit in November from a surplus of 108 million dollars in October. The invisible trade deficit was 120 million dollars in November.

The Bank of Korea attributed the rapid increase in imports to growing purchases of capital goods as well as some consumer goods including automobiles, furniture, clothes and cigarettes in the second half of this year.

Automobile imports increased 142.7 percent to 100 million dollars in the January-November period this year from the same period last year, while those of furniture soared 60.7 percent to 140 million dollars in the cited period.

* Criticism of Kyongsilyon's Rapid Growth Viewed

942C0215A Seoul WOLGAN CHUNGANG in Korean
Sep 94 pp 310-323

[By reporter Yun Sok-chin]

[FBIS Translated Text] Five Years of Dazzling Economic Growth Our country's social-movement climate was thought to be home to only two types of citizen's movement: government-sponsored or opposition. However, the Citizen's Alliance for Economic Justice (Kyongsilyon) squeezed into the space between these two to successfully create a new citizen's-movement image. It passed its fifth-year anniversary last July 8th. Starting with only 500-some members, the change achieved by the Kyongsilyon in five years is truly remarkable. First of all, its membership increased to 12,000 persons. Doing the math, this calculates to a prodigious growth to 24 times its former size. In the last two years, the number of members living in rural areas has also grown rapidly, reaching almost half of total membership. This signifies the spread of rural organizations. There are 19 local Kyongsilyon chapters, only counting those officially formed in the six major cities, Seoul, Incheon, Taegu, Pusan, Kwangju, and Taejon, and in medium and small sized cities. If locations that have formed preparation committees are added in, there are a total of 27 places with active local Kyongsilyon groups. If one examines the member organizations and special projects of the Seoul Kyongsilyon, commonly called the "Center," one is even more surprised. Beginning with the trunk of the organization, the "Citizen's Association," there are no less than 14 member organizations, such as the "Youth Association," the "Traffic Square," and the "Christian Citizen's Group." It is conducting some eight special projects, including the "Economic Justice Center," the "Headquarters, Campaign for

the Elimination of Injustice and Corruption," and the "Environment Development Center." The special projects do not stop here, but are busy in the medium of print. The official Kyongsilyon magazine, KYONGJE CHONGUI [Economic Justice], is published quarterly. When its first edition came out in June 1990, it was a popular-current-events-type bimonthly magazine. Later, it switched to a quarterly publishing cycle and took on the character of a technical journal, emphasizing the presentation of policy alternatives. In addition, the Seoul Kyongsilyon produces an English-language public-information magazine entitled, CIVIL SOCIETY, and, setting up a separate Kyongsilyon publishing company, it publishes books and the series, KYONGSILYON MUNGO [Kyongsilyon Library].

Influence Expanded Based on Visible Results The publication in May 1993 of the weekly, SIMINUI SINMUN [Citizen's Newspaper], which was proclaimed to be the "spokesman of the citizen's movement," was an intentional display of the hidden strength of the Kyongsilyon to those inside and outside the organization. The ability to raise the over 150-million won [W] needed to launch the SIMINUI SINMUN, in only four months beginning in January, is impressive, but the organization really showed its muscle by publishing the first edition less than two months after the money was raised (See table). With this, the Kyongsilyon has for now gained an external foundation that will not budge even in strong winds. Beginning in the simple conception of a "citizen's group for fighting real estate speculation," the Kyongsilyon's rapid growth has itself been accepted in our society as miraculous. The success achieved by the Kyongsilyon in five years is every bit as great and varied as its external growth. As the reader knows all too well, social movements in our society have been led by those forces called, "Chaeya [lit. "in the fields": i.e., those not holding government office]," and have generally concentrated on political democratization. It is correct to say that other forces were in fact isolated. However, after the June 1987 uprising, "political democracy" took its place as the unstoppable trend of our society. In short, "political democratization" became only a matter of time. Soon after the stream of democratization took its course, the so-called "out-of-office opposition" seemed despondent, as if they suddenly had nothing to do, and a sense of powerlessness spread widely through its ranks. The "necktie units" that poured into the streets during the June uprising soon returned to their normal jobs, showing an obvious tendency to return to conservatism. More than anything else, the success achieved by Kyongsilyon, it is said, provided a space for these "necktie units" to participate in social movements. These members of the new middle class, although interested in social movements, wandered, unable to choose between government-sponsored and out-of-office groups. But they showed explosive interest when presented with a new framework, called the "Citizen's Movement." For these people fed up with political problems, the "economic-justice" menu presented by the

Kyongsilyon was fresh and suited their tastes. At first, the Kyongsilyon concentrate on three issues: land, housing, and conglomerates. The movements to pass laws regulating rent increases and to reform the Housing Lease Protection Law are examples of this. As a method for solving our society's chronic and destructive problem, land speculation, it came out with the Land Tax Reform Plan, the essence of which was the establishment of an integrated land tax and a capital-gains tax. The Kyongsilyon stressed from its founding that in order for this to be successful, a real-name financial system must first be implemented. In the case of the real-name financial system, although it was realized late, in August 1993, only after the Kim Yong-sam administration had taken office, it is commonly believed to be completely due to the contributions of the Kyongsilyon. In addition, as the organization itself proclaims, it has produced many concrete results: efforts promoting legislation strengthening the Public-Land Concept [Tojigong-gaenyom, the concept that, for the public good, the government may regulate the right to own private property], efforts to provide housing stability for urban poor, the acquittal of Inspector Yi Mun-ok, making an issue of the Suso Preferential Sale Incident, the Campaign for the Elimination of Injustice and Corruption, the indictment of irregularities after the implementation of the real-name system, defending the human rights of foreign laborers, and the establishment of a patents court. Gaining confidence from these successes, the Kyongsilyon expanded the sphere of its activity to traffic, regional politics, education, the media, administrative-political reform, judicial reform, the environment, and even unification issues. It has expanded so much that people say, "It has its hands in everything." Succeeding in everything it did, the influence of the Kyongsilyon in our society continued to grow. This is demonstrated by the fact that, in a poll of the opinions of 1,000 experts from every field conducted by SISA JOURNAL, the Kyongsilyon was considered to be the "most influential organization" in our society, brushing aside huge organizations such as the Federation of Korean Industries or power organizations such as political parties or the Agency for National Security Planning. In the same survey, Secretary General So Kyong-sok was counted as the sixth "most influential figure excluding politicians and public officials," rating higher than Kim Tae-chung or the late Rev. Mun Ik-hwan. This says much about the image of the Kyongsilyon, with its suddenly increased stature.

"Carrying out too many projects," criticism from within and without, not everyone has looked on the sudden growth of the Kyongsilyon as a good thing. They have had to listen to not a few unpleasant criticisms: "department-store-style management," "octopus-tentacle-like expansion," "chaebol of the opposition." There is good reason for this. Labor and university groups, which have independent organizations and unique activities have been newly created as organizations subordinate to the Kyongsilyon. The Kyongsilyon has begun extending its

sphere of activity even to the unification and environmental movements, which had been the realms of existing groups dedicated exclusively to these areas. Questions concerning this were first posed from within. It started with a group belonging to the Policy Research Committee headed by Professor Pyon Hyong-yun. The main force of this group was made up of former Seoul University, College of Commerce students. Most had in common the fact that they were Professor Pyon's students. The focus of their criticism was really quite simple. It was: "As the KDI of the opposition, let's concentrate on researching economic policy and presenting alternatives." This was one of the greatest advantages of the Kyongsilyon. The Policy Research Committee has supported this. It plays the role of think tank for the Kyongsilyon. Requests came in, mainly from this group: "There are too many projects that we're involved in. We have to reduce this." Putting the breaks on external growth, Professor Pyon expressed his opinion: "The Kyongsilyon must quickly put down its roots. To do this we must make the most of its strong points." He thinks the same way even now. However, positions such as Professor Pyon's were always considered to be the opinion of the minority. The Kyongsilyon was moved by the officials of the Executive Office, headed by Secretary General So Kyong-sok, as they saw fit. Looking at the decision-making structure of the Kyongsilyon, there is actually little room for the "think tank" group to exert influence. Formally, at the very top there is a General Assembly that meets once every two years. Below this there is a Central Committee that has a regular session once a year, however, it only exists on paper. The real organization discussing and making decisions concerning all policies during normal times is the Standing Executive Committee [SEC] (chaired by Inha University Professor Yi Yong-hui). Decision-making authority is given to the SEC, which holds a regular session once per month and special sessions whenever needed. The Executive Office executes these decisions. It is supposed to make an operations report whenever this is requested by the SEC. This then becomes the subject of policy debate in the SEC. There are many cases in which a decision is made to pursue a new project based on this report. The person responsible for the Executive Office is the Secretary General, who naturally is also a member of the SEC. Thus, the influence of the Executive Office in deciding the Kyongsilyon's managerial direction is inevitably great. The many main working-level officials of this organization, including Secretary General So, showed such strong cohesion that they were called a faction of members of the "Saemunan Church." "When the Executive Office came up with an idea and the SEC decided on it, all the joint representatives would do is ratify it," said Professor Pyon, disclosing his feeling of isolation from the decision-making process. Pyon held the position of Joint Representative for a two-year term, beginning at the time of the Kyongsilyon founding. He completed a second term in February 1993 and officially resigned. Afterwards, Pyon's visits to the Kyongsilyon dwindled conspicuously. The reason for this given by

Professor Pyon is that he is "busy." Due to the above circumstances, "uneasy feelings probably played a part," according to the conjecture of those around him.

Many Original Principles Fallen by the Wayside "He completely respected and followed the intentions of his seniors," said Secretary General So Kyong-sok, strongly denying this conjecture. "Professor Pyon has said that he would quit before," he said, explaining it as a natural change. "It has always been my belief that, for a changing of the guard and regeneration, one person must not stay in the same position for a long time," Pyon said. Although his words agreed with the explanation of Secretary General So, he said this on a lingering note: "Actually, I wanted to quit in September of last year (1993)." Although he ultimately completed his term at the urging of those around him, the fact that he really wanted to resign his post as joint representative before that was enough to cause conjecture that there was probably sufficient reason for this. Having had extreme affection for the Kyongsilyon since it was established, Professor Pyon's resignation as joint representative was symbolic in several ways. More than anything else, this signifies the departure of the principles Pyon stressed so stubbornly. As it expanded externally, the direction of the Kyongsilyon's projects changed to become centered on various events. For example, the "1994 World Korean Youth Convention" sponsored by the Kyongsilyon—which was held in Tokyo and then Osaka, Japan, and finally in Chong-up, North Cholla Province—is typical. The purpose of the conventions: "Korean youth from all over the world gather in one place to learn our people's culture and history and to awaken a sense of national pride." With an affiliated special-project organization called, the "Unification Association" (former Sungsil University President Cho Yo-han, director), there was no reason they could not pull it off. However, people who remembered one of the principles advocated at the time of the founding of the Kyongsilyon, "the presentation of policy alternatives related to economic justice," could only shake their heads and wonder why the Kyongsilyon should sponsor this event. "Even if it is needed to prepare for unification, there are many organizations better suited to take charge of this event. Thus, if the Kyongsilyon is going to take interest in this issue, it should stop at being an empowering connection," according to the opinion of critics. However, the Kyongsilyon's position on the unification issue is clear. Secretary General So represents the position this way. "For movements which are so important that everyone should participate, we must all work together [as published]. For a long time, the unification movement has seen only government-sponsored and radical organizations. There was no rational movement based on a public consensus. There is a great social demand for moderate voices. We met this demand." He sought justification for affiliated labor and student associations and their participation in these fields in the same context. "A reality in which only extremes exist needs a rational force for reform," he said. "The Environment is directly related to the survival of humanity. Therefore, all organizations should participate," he said of environmental issues as well. He also showed an intention to have the Kyongsilyon deal with human-rights issues. "Human-rights issues have long been thought of as the province of opposition organizations. A citizen's organization is needed that will deal with them from a liberal perspective," he argued. Unsatisfied with the organization's present external form, he expressed an intention to expand

further, into whatever area its power reaches.

From "Volunteer Workers" to Salaried Executives The Kyongsilyon's endless desire for growth necessarily contains the potential for friction or trouble with other organizations. This is because, although the fundamental position of the Kyongsilyon is that it will supplement the roles of existing specialized organizations, boundary lines are vague, inevitably resulting in unavoidable overlaps. Established organizations have already made an issue of this. There is no need to look far for examples. Just last July 21st, Federation of Environmental Activists [Hwangyong Undong Yonhap] Secretary General Choe Yol, who participated in the Kyongsilyon Five-Year Anniversary Symposium held at the Korea Exhibition Center, remarked on the Kyongsilyon's appetite: "The Kyongsilyon is participating in many more areas than were in its original objectives." His conclusion: "Efforts are needed to specialize and concentrate the citizen's movement." "The go-it-alone tendency of the Kyongsilyon, with its corpulent organization, could even restrict the development of a specialized citizen's movement," Cho Kyong-kun, an aide to the First Minister of State for Political Affairs, said at the symposium, expressing the same opinion. Some even within the organization point to this as one of the issues that must be resolved. The following is the opinion of the "Kyongsilyon 5th Anniversary Evaluation Committee." "Now we must search for a method, not of changing the people's movement into a citizen's movement or of changing the citizen's movement into a people's movement, but of properly linking the two. More concretely, in the case of the labor movement, there is the problem of cooperation between the Federation of Korean Labor Unions and the National Council of Labor Union Representatives. Also, when dealing with environmental issues, there is the problem of cooperation between the Federation of Environmental Activists and other environmentalist organizations. In the case of the student movement, the relationship between Kyongsilyon's Student Association and the National Federation of General Student Councils will also become an important issue in the future. In political issues, ties with the National Alliance, etc., will be an issue." However, the Kyongsilyon does not seem to be greatly concerned. "There are many organizations conducting campaigns in various areas, such as the YMCA and the National Alliance," Secretary General So said at the symposium mentioned above. He frankly stated his position: "What is important is not whether it is a department-store-style display [i.e. whether the Kyongsilyon is involved in a little bit of everything], but that it has a genuine will to promote reform and is properly putting this into action." The number of executive-office officials greatly increased with the many projects in which the Kyongsilyon is involved. Called kansa [executive secretaries], there were five persons working full time when the organization was founded; now there are 72 working in Seoul alone. This number does include those working at the "Economic Justice Research Center," "Unification Association,"

and other special-project organizations, and SIMINUI SINMUN reporters. There are approximately 50 full-time workers in local chapters, bringing the total number of Kyongsilyon employees to over 120 persons. Compared with the service industry, given the number of its employees alone, it has already reached the level of big business.

Annual Budget Up to Seven Hundred Million Won

Of course, this personnel increase occurred spontaneously, because the need was there. In fact, they are busy because even this number of personnel is insufficient. The principle broken here is the "spirit of volunteer service." Looking at the example of foreign countries, the pillar supporting citizen's movements is "volunteer service." Executive offices are customarily operated with minimum staff, whose original function is to aid and assist volunteer workers. This important principle, that citizen's movements should be led through "volunteer service," has fallen by the wayside. Professor Yi Kun-chik, who chaired the Kyongsilyon Policy Research Committee for a year and a half beginning in November 1989, frankly stated his views on this issue as follows. "Of course, I admit that a culture of volunteer service has not been established in our country. Is it the job of citizen's-movement organizations to wait around until this culture takes hold, or should it work to enable it to quickly mature? Hastily beginning a work and then having to continually increase the number of professional executives because there is no one to take charge at the working level is not a desirable way of doing things. This can act to slow [the maturation of] the culture of volunteer service itself. Thinking of the overall development of the citizen's movement, I foresee it resulting in evils in the long term." In fact, because of influence exerted on "full-time executives," situations arise in which persons in the Kyongsilyon, even though they may want to do volunteer work, cannot easily bring up the subject. They are in the minority, however. There is also the aspect of having to create work, whatever it may be, because paid full-time workers cannot be allowed to sit around doing nothing. A volunteer worker just goes home when his or her work is done, but this is impossible for paid full-time workers, who are similar in character to employees working at a kind of company. A kind of vicious circle continues: there is a great deal of work, so the number of full-time workers is increased; there are full-time workers, so work is created for them. More full-time workers and more work also means that costs increase that much more. The labor cost of full-time workers is not itself a big problem. The pay level of Kyongsilyon full-time workers is less than half that of general company employees. First-line officials, called "kansa," working in executive offices are paid about W500 thousand per month. Mid-level executives, office and bureau chiefs, only make about W700-800 thousand. Even the Secretary General makes no more than W1 million per month. Bonuses, at best, are 100 percent annually, so they cannot be said to be a great burden. Even so, the Kyongsilyon's annual budget is over W700

million based on last year's figures. It spent this much even after repeated curtailments as extensive as those involving labor costs. Although this figure includes the budgets of special-project organizations, which draw up and appropriate funds for their budgets independently, it is no small amount. It indicates how many projects the Kyongsilyon is involved in. The Kyongsilyon has only three ways of raising funds to meet these costs: membership fees, contributions by supporters, and its own profit-making enterprises. The most desirable method is for citizen's-movement organizations to raise funds simply through membership fees. However, as the reader will know only too well, inasmuch as a culture of volunteer service has not matured in our society, people are slow to pay for costs from which they get no immediate benefit. Fixed membership fees vary from W3 thousand to as much as W1 million. Over 8-thousand members are estimated to pay membership dues every month, but this amounts to only one-third of the Kyongsilyon's budget.

Problematic Contributions and Profit-Making Enterprises

About one-third of expenses are met with the contributions of supporters. The contributions of the "Right Economics Forum," a group formed by minor businessmen who are members of the Kyongsilyon, are an example of this. This organization is affiliated with the Kyongsilyon. Its members had supported the Kyongsilyon privately since its infancy, but after the birth of the civilian administration, they "cast off their anxiety" and started acting openly. It provides the Kyongsilyon with over W5 million each month and occasionally with large sums of money, making no small contribution to the Kyongsilyon's ironing out the wrinkles in its budget. For the remainder of its budget, the Kyongsilyon depends on its own profit-making enterprises and the support of business. It is here that excesses occur in the process of procuring financial resources. Concerning this, Professor Pyon Hyong-yu adhered to a very firm position. "Financial independence is like the life of a citizen's-movement organization. More than anything else, if this is not transparent, the organization is finished. I always advise people to carry out projects on as small a scale as transparent money-raising methods allow. But because many start a project first and then meet costs, finances have been somewhat contaminated. Actually, financial problems have been the biggest worry since the organization was born. At the time, supporters were concerned about what people would think, even though they made clean contributions. Even in such circumstances, there were no excesses. Now, we live in a society in which they no longer need to be anxious about making donations. The frequent public denunciation of some contributors concerning money despite this is ruining the citizen's movement." Not even the Kyongsilyon denies Professor Pyon's words. Organizational Bureau Director Yu Chong-song, revealed this position on support money given by businesses. "I think that, in principle, it is not good to receive too much support money. It should be

minimized so that we only receive as much as we need." However, it is reported that, unlike Yu, many in the Kyongsilyon are of the opinion: "It is okay if, whatever money we receive, we use it for a good cause." Here, "whatever money," of course, does not mean "dirty money." "Concerning economic justice," it refers to money, etc., received from the greatest object of the Kyongsilyon's criticism, the Chaebol. Just because contributions were received from a conglomerate does not mean that they are not honorable. Problems arise when these contributions are accepted for profit alone, with no other justification. There was an actual example of this last year. This was the Environmental Concert, held some three times under the sponsorship of the Kyongsilyon. The Environmental Concert was an event prepared for with considerable devotion. Its objectives were to educate on the protection of the environment and to make a profit. Ending in failure, it resulted in a deficit and a greatly damaged Kyongsilyon image. The reason for its failure was the problem of business contributions. The organization made a mistake in planning to hold the event using business contributions. For the first concert, they were not careful of costs, thinking of the business contributions, and spent beyond their earnings. For the second one, contributions were short, so the Kyongsilyon tried to raise the support of any company it could get and ended up making a decisive mistake: for an event designated an "Environmental Concert," it accepted money from a certain L Beverages, which had been stigmatized socially as an example of an environment-polluting company. Questions were asked internally as well and, when the above fact was reported in the media, the Kyongsilyon was berated by public opinion: "Does it make any sense to take money from a polluting company to hold an environmental-protection event?" With no room for excuses, the Kyongsilyon gave up on getting business contributions for the third concert, holding the event with its own resources. Calculating earnings and expenditures after holding all three events, the organization naturally ended up with a deficit. This was a very painful experience for the Kyongsilyon.

Criticism of Government-Sponsored Overseas Training
Early this year, the Kyongsilyon was once again caught up in a "money scandal." It found itself in trouble for accepting government financial support and using this to sponsor overseas training for officials from 15 environmental organizations. The media denounced this as a foreign sightseeing trip far removed from its original purpose of "observing foreign environmental movements." But it later explained that this had been an erroneous report. However, the Kyongsilyon and no room for counterargument because the source of its money was government funding. Also important was the fact that this money was accepted readily, without much consideration. To put it strongly, the Kyongsilyon almost reduced its stature to that of a "government-sponsored" organization. The government only covered joint expenses for the 15 relevant organizations, not support for "operating costs." The Kyongsilyon only

managed the event. Public opinion, however, was unforgiving, and focused on the Kyongsilyon. Learning its lesson from this, when an opportunity arose for leaders in the labor movement to get overseas training, the Kyongsilyon had nothing to do with it. It established an internal principle: "We will accept no government support until such time as a public consensus is formed and institutional mechanisms are in place." After this principle was established, the Ministry of Information abandoned a service project concerning which it had commissioned 13 relevant organizations. Leading in this decision, SEC Chairman Yi Yong-hui explained the background behind it this way. "If we accept government financial support or the contributions of business, the principle set forth when the organization was founded, that it would stand on the side of the weak, is easily blurred. We could get in the habit of depending on others. Moreover, we could even get in a situation where we could not refuse the requests of financial supporters." The Kyongsilyon has come to thus shrink from taking government financing out of deep concern that the independence of citizen's-movement organizations could be damaged. However, it also seems to be due to a strong awareness of the word on the street that the Kyongsilyon is a new Kim Yong-sam organization. Since the birth of the Kim Yong-sam administration, there have been plenty of reasons for such talk. For example, lawyer Chong Song-chol entered the administration's first cabinet as an aide to the First Minister of State for Political Affairs, a position of vice-minister class, but he is now chairman of the Democratic Liberal Party's [DLP] chapter in Kangnam-ul, Seoul. Also, Rev. In Myong-chin and Rev. Kap Tae-kyun have been very active in the Committee for the Prevention of Injustice and Corruption and Committee for Administrative Reform respectively. These three individuals were all founding members of the Kyongsilyon and persons forming its leadership group. What further solidified this "charge" was the fact that they led in the founding of the "Citizen's Council for a Just Society" (Chongsahyop [CCJS]), Professor Son Pong-ho (Seoul National University, Department of Philosophy), president). Outwardly, it was no more than a reorganization of the organizations and individuals participating in the "Council for Fair Elections" during the December 1992 presidential election. Important members were figures who had shown pro-Kim Yong-sam tendencies. It seemed reasonable that the organization's goal, "the reform of public awareness," would sound to some like, "Let's help the Kim Yong-sam administration." Professor Son too was a founding Kyongsilyon member and is now a joint representative.

"Pro-Kim Yong-sam" Criticism "Unfair" Concerning this, Kyongsilyon officials say that it is a complete misunderstanding and truly seem upset at what they see as an unfair accusation. Saying that there is no special reason why the Kyongsilyon would have to be close to Kim Yong-sam, Organizational Bureau Director Yu Chong-song recalled the presidential election like this.

"There were a variety of political positions, pro-Kim Yong-sam, pro-Kim Tae-chung, etc., among those participating in the Kyongsilyon. During the election, Kim Yong-sam in particular felt the greatest burden concerning the Kyongsilyon. He was the one who heard the most accusations of unfair election practices by the Kyongsilyon. And concerning Kim Yong-sam's policies, the organization was the most critical of DLP proposals." He explained that the Kyongsilyon seemed to be pro-Kim Yong-sam despite this because the activity of pro-Kim Yong-sam figures within the organization was marked and because the media focused its attention on them. This is the explanation of SEC Chairman Yi Yong-hui regarding the controversy over the "pro-Kim Yong-sam" character of the CCJS. "Our purpose was to direct the situation so that the government has no choice but to carry out reform. However, not up to the task, we followed along behind and were left with a pro-government image. And, embracing various people and organizations, we ended up bringing in even people who seemed to be pro-Kim Yong-sam." "Our image was damaged further by the media play of the Ministry of Information, which acted like it supported us," he added, expressing dissatisfaction. As if for this reason, the CCJS recently closed its executive office and officially suspended all activities. With the CCJS actually disbanded, participating organizations plan to form a new organization near the end of August under the name, "Korea Council of Citizen's Organizations [Hanguk Simindanche Hyopuihoe]." Presenting "the formation of an organization of solidarity encompassing all citizen's organizations" as the purpose of their planned organization, they are reported to be working to bring in organizations, such as the Federation of Environmental Activists and the YMCA, that participated in the Council for Fair Elections but not in the formation of the CCJS. Whatever the truth, one thing seems clear: outwardly, a pro-government image of the Kyongsilyon has been formed. "I feel that the principle of being an apolitical organization has been shaken. [The present organization] is different than it was in the past in that, in its relationship with the government, its clear criticism has been weakened," said Professor Yi Kun-sik, explaining the Kyongsilyon's change of color. Professor Pyon Hyong-yun stated his critical opinion from a very principled position. "Whatever administration takes office, the Kyongsilyon must play a restraining role, pointing out that administration's faults. The Kyongsilyon doesn't have to tell [the government that it's] doing a good job. It must only make its position clear and leave judgment on this to ordinary people. Starting last year, some people have leaned conspicuously in a pro-government direction," he said, looking very displeased with this. Whatever its relationship with the administration, the Kyongsilyon is now caught up in yet another "political wind." Both inside and outside the organization, how the Kyongsilyon will deal with the local-council chief elections to be held next year is a subject of the utmost interest. Such interest stems from various

advantages possessed only by the Kyongsilyon, regardless of its own intentions. First of all, inasmuch as it is considered the organization with the most influence, it has the trust of the general public and there are many persons within the organization who are relatively conscientious and who are moderate reformers.

"No Way To Block Personal Political Advances" Personally, SEC Chairman Yi Yong-hui assessed the meaning of this positively. He himself has the experience of running in the 1992 local-assembly elections, for which he created a separate organization called, "Civil Solidarity for Participation and Self-Government." "I don't think there is a need to block the political advancement of the excellent people produced by the Kyongsilyon. Also, a person's Kyongsilyon record before running for office can be used as material for evaluating that person. Some have even held the opinion that, at the level of service to the public, we should participate in the legal creation of politicians." However, he made clear his position that, in the present circumstances, he "opposes running for office in the name of the Kyongsilyon." "The goal of the Kyongsilyon is to grow into the most influential citizen's organization in our society. Participation in elections could result in the breakup of the organization. In the future, the Kyongsilyon will in no case whatsoever participate in an election or change into a political organization." However, "We actually have no means of blocking the individual candidacy of a person who has left the Kyongsilyon," he said, honestly admitting his concern. "With political participation guaranteed by the constitution, it is impossible to control this. For better or worse, if a candidate writes the word, 'former,' in front of his Kyongsilyon record, we have no way of stopping this." Professor Pyon Hyong-yun is also opposed in principle to making a political force of citizen's-movement organizations. "The Kyongsilyon thoroughly prevented itself from being used as a tool for political advancement," he said, recollecting his days as joint representative. "[We told] persons with political aspirations to go out and make a political party instead." Putting together the positions of people connected to the organization, it appears that there will be no candidates running in the name of the Kyongsilyon. Moreover, for the present, there is even less chance of the Kyongsilyon becoming a political party. However, it does appear that a considerable number of Kyongsilyon members will run for office, but simply as ordinary members of the organization. If many of these are elected, it could become the mother of some new political party. However, there was also the assessment of the Kyongsilyon 5th Anniversary Evaluation Committee: "In the long term, we foresee the Kyongsilyon abandoning [its identity as a] citizen's-movement organization and transforming into a political party or merging with an existing political party." Thus, although the Kyongsilyon established the principle of political nonparticipation, it may be buffeted endlessly by political winds. Preparing for a new leap forward after passing its fifth anniversary, the Kyongsilyon, for various reasons as we saw above, has

fallen into a considerable crisis consciousness. Causing this crisis consciousness is: conflict with an administration which became the darling of the citizen's movement in a short time with a new menu called, "economic justice," but then did an about face toward conservatism; the frailty of an organization with a head but no legs; and its unprincipled, middle-of-the-road posture. The organization's words are not that well received and people are scrutinizing it much more carefully. It appears that the Kyongsilyon will now have to work a little more on internal development than on external growth. At this point in time, if the organization turns the key of its managerial direction the wrong way, the pyramid of the citizen's movement, rarely seen in our nation's history, could collapse in a day. From this point of view, the warning of the Kyongsilyon 5th Anniversary Evaluation Committee is worth reconsidering: "If the Kyongsilyon stresses only legalism, it could be absorbed into the system, sinking to the level of a government-sponsored organization, not a citizen's-movement organization. It is in danger of becoming the government's best man, satisfied with formal improvement rather than substantial reform." "The Kyongsilyon must now return to the attitude and resolve it had at first," stresses Professor Pyon Hyong-yun. Unless it does this, better politics and the exemplary citizen's movement could both be lost. Membership Organization and Special Projects of the Seoul Kyongsilyon

Membership Organization

Citizen's Association
Youth Association
Traffic Square
Christian Citizen's Group
Grassroots Citizen's Association
Laborer's Association
Science and Technology Committee
Council of Christian Youth and Students
Women's Committee
College Student's Association
League of Buddhist Citizens for the Practice of Economic Justice
Teacher's Group
Association of Health and Medical Personnel
Association of Persons for Culture and the Arts

Special Projects

Economic Justice Research Center
Headquarters, Campaign for the Elimination of Injustice and Corruption
Environmental Development Center
International Department
Unification Association
Chongnong Life Agricultural Cooperative
Thrift Stores, Permanent
Insurance Agency
SIMINUI SINMUN [Citizen's Newspaper], Weekly
KYONGJE CHONGUI [Economic Justice], Quarterly
CIVIL SOCIETY, English-Language Bulletin

Kyongsilyon Library, Kyongsilyon Publishing Company

Construction Orders Rise 145 Percent From 1993

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30 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 30 (YONHAP)—The Ministry of Construction and Transportation revealed Friday that total construction orders from abroad reached 7,441 million dollars this year, up 145 percent from 1993.

Of the total orders, 4,452 million dollars' worth came from southeast and southwest Asian countries, a 172-percent surge from last year, according to the ministry.

The increase rate for orders received from the Middle East was 172 percent and that from other regions 95 percent, the ministry said.

By country, China emerged as the largest contractor with Korean construction firms this year with 816 million dollars for eight projects, followed by Singapore's 776 million dollars for 14 projects, Malaysia's 659 million dollars for 11 projects and Saudi Arabia's 646 million dollars for 18 projects.

Among the total overseas construction projects won by domestic builders this year, 16 projects were worth over 100 million dollars including a bridge project landed by Hyundai Engineering and Construction Co. in Bangladesh, the ministry said.

Hyundai has received five more contracts for construction work worth over 100 million dollars.

A development project in China's Hainan Province picked up by Jinro Construction Co. was the largest this year in terms of contract amount (500 million dollars), the ministry said.

As reasons for the sharp growth in overseas construction orders, the ministry cited expanded investment in social overhead capital (SOC) fueled by the recovering global economy and the construction industry's strategy to diversify markets with the launch of the World Trade Organization (WTO).

* 100-Seat Aircraft Plant Said Still Up in Air

942C0198B Seoul CHUGAN CHOSON in Korean 4
Aug 94 pp 54-56

[By reporter Sin Chong-nok]

[FBIS Translated Text] "In one word, it is all a mess." I cannot help but sigh. There should be a breaking point.

This is what people in the aerospace industry are saying about the "Mid-Size Airplane Development Project," which is being promoted by the government to become the 10th in the world in the 2000's. Because the people are tired of this, they just want this project decided one way or another.

The situation was very different in March when the government publicly announced the aerospace manufacturing promotion plan that "intended to develop mid-size airplanes by 1998 and to participate in the international joint development program of the next generation's long distance full size airplanes after the year 2000." At that time, the aerospace industry was boosted incredibly by the government's statement.

However, the situation has changed dramatically in the past year and three months. There was no noticeable progress blocked by the "hereditary obstacle," a feud in the industry surrounding the decision of the major contractor. In the meantime, the government has drifted without a target and the industry did not come to a consensus at all.

Meanwhile, the only tentative decision made was that "the proposed airplane will be a 100-seat passenger size turbo-fan airplane, and will be developed as an international joint venture with the majority of cooperation coming from China, and the domestic contractor will be a consortium with a leading company." However, there are still many different opinions in these three areas.

Moreover, at this moment, the only "remnant" is the deeper valley of emotion among the "three aerospace manufacturers," which are Samsung, Korean Air, and Daewoo. Therefore, some concern has arisen in the industry. The concern is that cooperation among companies may be in question after a leading company is selected, even though aerospace manufacturing is of such a large scale that it requires the capacity of all the companies. There are companies that would reconsider the consortium itself if they themselves had not been chosen as the leading company.

Last June, this happened. The representatives of the Chinese Economy Trading Committee visited Korea for the first industry cooperation committee meeting between Korea and China. The purpose of their visit was to discuss technical contact in the four cooperation areas between Korea and China, such as the electronic switching system, the automobile, the High Definition TV, and the mid-size airplane. The conference on three of them went smooth, but no progress was made on the mid-size airplane. The reason is that no comparable company in Korea had been decided until that time. Chinese representatives requested that the Korean side "select one company as soon as possible" because "there is not enough time." The Ministry of Commerce and Industry promised to choose one company by the end of August so they could begin to negotiate.

On the 7th of July, a deputy ministers' meeting among the Ministry of Commerce and Industry, the Ministry of Communications, and the Ministry of Science and Technology was planned. The purpose of this meeting was to select the screening committee members to select a leading company by the end of August, per China's request. This committee planned to decide on a leading company by the end of August, after receiving proposals

from three companies. Before the deputy ministers' meeting, however, the report that they had already decided on a certain company was publicized. Most of the experts agree that the report portrayed the situation accurately. However, it accelerated "the argument on preferential treatment," if a leading company was chosen even before the selection of the screening committee. After the report, all three companies were frantic and the deputy minister meeting was cancelled in the end.

Why has it gone wrong like this? The reason is not as simple as you might think: the unique character of the aerospace industry, which cannot be compared with any other industry; advancing to the new market and securing technology; different opinions among government agencies on the business promotion; and the competition among companies to be a leading company for the honor of their conglomerates. In addition, political factors such as relations with China and the intention of the Blue House make the situation worse.

The first time mid-size airplane development was discussed in the country was around October 1989. At that time, the Most Advanced Industry Development Committee of the government suggested that the design technology of mid-size airplane as the target of technology development in 1990s. In 1992, the Ministry of Commerce and Industry included a plan that would develop the mid-size airplane by 1998 when it would also establish the aerospace industry policy. Later, on March 12, 1993, this project was promoted with strong support.

On that day, President Kim Yong-sam chose Samsung Aerospace as the first company to visit after his inauguration. President Kim instructed that the new economic five-year plan included development of the aerospace industry and mid-size airplane development as the first project of the day. The Ministry of Commerce and Industry received the instructions and requested the Korea Industry Research Institute investigate the possibility of industry at once and the Korea Industry Research Institute finished the investigation in November of last year. Simultaneously, President Kim had an agreement with Jiang Zemin, the secretary general of the Chinese Communist Party, to cooperate in the aerospace industry field at the APEC meeting, which was held in the U.S. It materialized in such a concrete way that an agreement memorandum was exchanged between the two countries when the president visited China in March.

Through this process, the outline of the project that the Ministry of Commerce and Industry decided on was "to develop a 100-seat passenger airplane, to cooperate with China first of all and the domestic contractor would be a consortium with a leading company." This decision was made after consideration of all of the facts, including the investigation of the possibility of industry by the Korea Industry Research Institute, the condition of cooperation with China, and the prospect of the future market.

The Ministry of Commerce and Industry made the above statement at the press conference of the Assistant Minister of Commerce and Industry on February 7th.

However, no agreement was reached on the contents of the decision between the academic circle and industry so far. The most controversial point is whether to choose a consortium with a leading company or a consortium with equal interest. The consortium with a leading company is an opinion that three companies will have consortium, but there should be a leading company. This option was suggested by the Korea Industry Research Institute, was accepted by the Ministry of Commerce and Industry, and was agreed by Samsung. Consortium with equal interest, which means that Samsung, Korean Air, and Daewoo invest 33.3

each have the same, equal interest and management rights, was suggested by Daewoo and was agreed on by Korean Air passively.

Both opinions have their own justification. The point of consortium with a leading company was that "the efficiency will be better with a leading company which is responsible for the business," and consortium with equal interest found the justification in "the aerospace industry can not succeed without all domestic efforts."

However, on the other side, each company has its own intention. Samsung wanted an advantage when the government promoted it to specialize in the aerospace industry by becoming a leading company developing mid-size airplanes. Korean Air and Daewoo criticized this monopoly in one word. On the other hand, Daewoo has a position that it does not agree with "consortium with a leading company" because it is evident that Samsung is to be chosen. Samsung criticized it as "clutching at the hind legs."

In this process, the "intention" of the Ministry of Commerce and Industry which confirmed in several occasions, is to make matters worse. This intent will allow Samsung to be a leading Company. "The ministry owes Samsung because of the passenger car business. This time the Ministry will give Samsung a hand." This quotation of high authority in the Ministry of Commerce and Industry can not be confirmed with the Blue House directly. However, it was confirmed several times through the words of high authority of the government that the intention of the government is in favor of Samsung.

It is certain that "Daewoo should not be chosen" is the intention of the government. It was also confirmed that the high authority of the Ministry of Commerce and Industry said several times "they hoped Daewoo would drop out."

Compared with Daewoo, Korean Air was passive in this mid-size airplane development project and it is known that it does not have strong desires even now.

The aerospace industry is far from "the goose that lays the golden eggs." Development itself of the airplane is very difficult. In addition to that, the success of development is very different from the success of the business. All airplanes that can fly are not sold in the international market. Even if this business succeeds after overcoming all hardships, it will take over 30 years to recover all invested funds. It is true that aerospace industry can escape the "argument on preferential treatment" among other industries. But the reason for argument on preferential treatment is still on stemmed from the government and industries themselves.

As this complicated, twined situation does not show any possibility of being solved, there came an opinion at the corner of industry that the heads of three companies meet and solve "make a package deal" on the type of consortium and allocation. The Ministry of Commerce and Industry is also interested in this opinion, but it hesitates because it might not solve the problem, but make the matter worse considering their relations among them.

Meanwhile, the difference of opinion among ministers of the government is still lingering. The Economic Planning Board has a position of reluctance because this is an expensive and long term project. The Ministry of Transportation, which is in charge of airplane transportation, has opposed this project as a pretext that mid-size airplanes do not fit to our situation. The ministry insisted that a 100 seat passenger airplane fits in the area where land is big and population is sparse, and full size airplanes fit better in densely populated area like our own country. In addition, the Ministry of Defense which is in charge of the military industry has a disagreement with the Ministry of Commerce and Industry not to give away the management right.

It is known that the Ministry of Commerce and Industry is also in a very difficult position. One of the participants in the Ministry of Commerce and Industry said this is their honest feeling: "We should carry this out because it is the President's project and we already promised China. However, I am not sure that this project will be carried out as planned. I do not want to be responsible even if problems occur later. At the same time, it is also a big question whether the project can get a budget from the government. I would like to begin this project, but I also want to get out as soon as it starts."

It shows, clearly, that this mid-size airplane development project is carrying on without a systematic effort because they have no idea how much it costs.

The development expense, calculated by the Korea Industry Research Institute, is about \$300 million for a 50 seat passenger turbo-prop and about \$1 billion to 1.2 billion for a 100 seat passenger turbo-fan. According to the research participant, the Korea Industry Research Institute also calculated over \$400 billion for a 50 seat passenger airplane and four to five times that for a 100

seat airplane, but they reported the lowered expense because it would be difficult to persuade the Economy Planning Board.

According to the calculation of the industry, it will cost \$4 billion for a 100 seat passenger airplane. This computation is based on this: a 80-90 seat passenger airplane MD-9 that McDonnell Douglas Co. developed in 1952 cost \$270 million at that time. If this amount changed to today's money, it would be \$1.2 billion. In addition, it will expand to \$2.7 billion to meet the environmental and consumer satisfaction conditions. Also, it is calculated that it will cost \$4 billion to develop airplanes that will have functional and comfortability standards enough to be sold in 2000's.

Needless to say, there could be disputes for this calculation of the cost. Moreover, we have to share this judgement with experts. However, the Ministry of Commerce and Industry still insists openly that it will cost about \$1 billion to \$1.2 billion for the development of a 100 seat passenger airplane minimum.

More important than domestic disputes and arguments is the intent of our partner China. We call this mid-size airplane development cooperation plan "the Korea-China Project." The U.S. and Europe call this "the China Project" instead of calling this "the Korea-China or the China-Korea Project." What does this mean?

Korea is not the only country China is groping for in the mid-size airplane development. Boeing Co. of America is promoting the joint development for the 100 seat passenger mid-size airplane with China and Japan. The rate of interest is 40

to China and Japan each and 20

to Boeing. The Promotion Committee that consists of experts from three countries is already active. It is analyzed that the reason Boeing Co. is taking China and Japan on by assuring the high rate of interest, is to put China and Japan under the lower system in the future Northeast market. Besides, China is also promoting mid-size airplane development with Europe. To China, Korea is only one of the alternatives.

Here, we should refer to an accident. Last April, the newly opened subway, Kwachon Line, malfunctioned for a month. No clear report was made even after several investigations. According to the related industry, however, the most decisive reason was that the Ministry of Transportation had reported to the President that the subway would be open on April 1st. They could not even take a test drive as they should have. However, no one spoke out openly on this matter.

Construction Minister on New International Airport

SK2912125694 Seoul CHUNGANG ILBO in Korean 29 Dec 94 p 1

[FBIS Translated Text] In connection with the development of a new airport on Yongjong Island, O Myong,

minister of construction and transportation, has given relevant directives to ministry officials, saying: "It is necessary to again devise ways to make the Yongjong Island area the center of Asia, even the center of the world, by making the most of the development of an airport there."

Minister O said this on 28 December during a briefing on ministry affairs. He said: "As long as we are building a central airport in Asia, we should work out ways to make the most of the effects that will be obtained by the development of the airport, taking advantage of such an airport to the greatest extent."

Accordingly, it will be inevitable to again review the plans to utilize Yongjong Island and its vicinity, and to revise and complement the existing general plans for national land development.

In an exclusive interview with a CHUNGANG ILBO reporter on the morning of 29 December, Minister O stressed: "It is necessary to construct the new airport on Yongjong Island as a convenient airport to serve as a triport—airport, seaport, and teleport [a base of telecommunications]. The point is how to make the most of the surrounding area of Yongjongdo Airport."

O added: "The Yongjong Island area should serve as the center of the world's business activities. We had better look over the plans to develop the surrounding area again, emphasizing the function of such a triport."

Minister O presented his own ideas for the development as follows: We can map out ways to build ultra-modern industries, including research institutes, in the surrounding area of Yongjong Island; ways to provide conditions for the construction of the commodities distribution centers and international organizations; and ways to encourage the construction of international convention centers and headquarters for multinational enterprises in this area.

In the meantime, it has been learned that the Ministry of Construction and Transportation will again work out a framework of plans for national land development in which priority will be given to the new airport on Yongjong Island and the Seoul-Pusan Express Railway Line, with a view to making the Korean peninsula the center of Northeast Asia in the 21st century.

One official concerned at the ministry said: "What the ministry should give top priority to in the future is to broaden the scope of plans for national land development in preparation for globalization. It is urgent to design a next-generation ROK by revising the present 10-year-term national land development plan to a 20-year-term plan. Until recently, the now defunct Ministry of Construction had worked out national land development plans, placing the emphasis on roads. In the future, the Ministry of Construction and Transportation will be able to establish a framework of social overhead capital, inclusive of the road network, harbors, airports, and urban traffic network. Next year's major work plan will include a new framework for such a national land development plan."

Burma**PRC's Li Peng Holds News Conference 28 Dec**

*BK2912131194 Rangoon TV Myanmar Network in
Burmese 1330 GMT 28 Dec 94*

[FBIS Translated Text] Mr. Li Peng, premier of the State Council of the People's Republic of China, held a news conference with local and foreign journalists in Room No. A-130 of the People's Assembly Building at 1000 this morning.

Present at the news conference with Mr. Li Peng were Mr. Li Guixian, member of the State Council; Mr. Teng Jiaxuan, vice foreign minister; Mr. Wu Jianmin, director of the Information Department of the Ministry of Foreign Affairs; Mrs. Chen Baoliu, Chinese ambassador to Myanmar [Burma]; and responsible officials. Present on the Myanmar side were U Than Maung, managing director of the News and Periodicals Enterprise of the Ministry of Information; U Kyi Lwin, director general of the Department of Myanmar Television and Broadcasting; directors of the department; editors; U Sein Win, patron of the Myanmar Foreign Correspondents Club and correspondent of KYODO News Agency and members of the club; journalists from the PRC; visiting journalists from TV ASAHI News Bangkok Bureau, ASAHI SHIMBUN Bangkok and Singapore Bureau, KYODO News Agency, YOMIURI SHIMBUN, NHK, and AFP news agencies.

Premier Li Peng first explained that he visited Myanmar at the invitation of Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] and prime minister of the Union of Myanmar and that although his visit was short it was successful. He said there exists a long history and a long common border between China and Myanmar and relations between the two countries had been smooth and sound. He said the leaders of two countries had been exchanging visits and there had been continuous exchange of visits recently. He recalled that a Myanmar leader had recently visited the PRC. He said we had come to Myanmar this time with a desire to continuously maintain this tradition of mutual exchange of visits. He added that he brought with him the goodwill of the Chinese people for the people of Myanmar. He said he would be answering questions from journalists.

First, U Hla Tun, director of the News and Periodicals Enterprise, asked about the aim of his visit to Myanmar. In his reply, Premier Li Peng said the visit was to further invigorate the existing friendship and to promote friendly cooperation between the two countries and he believed that aim has been achieved. He said he had repeated rounds of friendly and cordial talks with Sr. Gen. Than Shwe and other leaders and that the views were exchanged on matters of mutual interest and on international and regional affairs of common concern. He said the views and conceptions of the two sides are

very similar and since the joint communique to be issued will contain points in detail he would not repeat them.

Mr. (Ji Wan Nei), correspondent of XINHUA News Agency, asked about his view on China-Myanmar friendship and how would the friendship be developed in the future. The premier replied that friendship between the two countries is sound and China and Myanmar shared a very long border and that the border problem had been resolved and there is no point of dispute. He said future prospects for bilateral ties are very good and he believed that this profound friendship would continue to flourish. He said there is pauphau [familial relations] friendship between China and Myanmar and he said during his visit to Myanmar he noticed economic development, tremendous potential and prospects for energy, and improvement in the living standard of Myanmar people. He said trade and economic cooperation had existed between the two countries for a long time and border trade has developed considerably in the past years and efforts would be made for further development.

U Sein Win, patron of Myanmar Foreign Correspondents Club and correspondent of KYODO News Agency, said some Western nations are consistently accusing Asian nations, including China and Myanmar, of human rights violations. He asked the premier's view on the matter and said news agencies of the two Western nations have described the premier's goodwill visit as a trip aimed at gaining access to the Indian Ocean. He sought the premier's view on why these countries are reluctant to see the close friendship between the two countries.

Premier Li Peng in his reply said concerning human rights, the developing nations have their own views and conceptions and China and other Asian countries and developing nations have identical views. Myanmar is included in these nations.

News from Western nations describing the goodwill visit as a trip aimed at gaining military influence in the Indian Ocean was totally false and fabricated. He explained China—a developing country—is working singlemindedly for modernization and progress and is practicing an independent foreign policy aimed at peace. He said China has no intention of extending influence abroad and opposes hegemonism and will never engaged in hegemonic acts. He said there is not a single Chinese soldier stationed abroad and, as can be seen by the journalists, there is no military personnel in the delegation and no military matters were discussed with Myanmar officials.

Next, U Maung Maung, Jiji News Agency correspondent, asked the premier about his views on the development of Myanmar. Premier Li Peng replied that since his trip to Myanmar is very short, it will be impossible to make comments in detail. He said according to his general assessment, Myanmar is rich in natural resources and Yangon [Rangoon] is a pleasant and beautiful city. He said, during his meeting with Sr. Gen. Than Shwe, he

was told that priority is being given to agricultural development and that paddy production this year reached 900 million baskets [one basket equals about 1.125 bushels] and that as agricultural development in Myanmar takes place it would form a firm basis for national economic advancement. He added natural gas also had been discovered in Myanmar offshore areas; the Myanmar Government is planning to install two electric power stations, each capable of giving 100 megawatt of electricity; and gas pipelines are being laid between Myanmar and Thailand. He said natural gas exports would bring foreign exchange. He said he was impressed by the beauty of Yangon City, especially the splendid sight of Shwedagon Pagoda. He said there are many tourist attractions in Myanmar and he hoped the Myanmar Government would use them beneficially.

Next, Mr. (Hirosuku Tamura), head of the ASAHI SHIMBUN Singapore Bureau, said the premier had experience in solving the Tiananmen problem and he asked what would be his idea and views on solving the problem of Daw Aung San Suu Kyi in Myanmar. Premier Li Peng said the problem of Daw Aung San Suu Kyi is the internal affair of Myanmar and therefore he did not interfere in it and that in this aspect he said China differs from Western countries. He said the issue of Daw Aung San Suu Kyi was not discussed in the meetings. In their discussions, the Burmese side said they would give priority to national reconciliation and the premier said he wished them success. The premier said political stability is of vital importance for developing nations and said it would be impossible to work for economic development without political stability. Therefore, political stability should come first in undertaking any task.

Mr. (Liao Zun Wun), correspondent of the PEOPLE'S DAILY of China, said trade and economic cooperation between China and Myanmar has been developing rapidly and he asked for the premier's view on talks on trade and economic cooperation. Premier Li Peng said trade and economic cooperation between China and Myanmar had developed in recent years, especially border trade. He explained China has opened Chinese border towns after making reforms and practicing the open door policy. Wanting and Shweli were designated as open door towns in trade between China and Myanmar and border trade had flourished since then. Foreign economic relations should be determined by market forces. He said he believed China-Myanmar friendship would develop along with border trade. He said major companies and economic enterprises in China are being encouraged to undertake joint ventures in Myanmar.

U Ye Tint, chief editor of KYEMON newspaper, said during the meetings between the two prime ministers, Premier Li Peng stated that one of the aims of the visit was to promote bilateral trade cooperation. He asked which particular programs for cooperation in industrial and agricultural sectors would be undertaken. Premier Li Peng replied in both of the discussions between the leaders of the two countries, matters of bilateral interests

and international and regional issues of common interests were mainly discussed. Matters related to mutual trade and economic cooperation were discussed only in principle and the leaders of the two side agreed to work for mutual interests and cooperation. Programs between China and Myanmar would continue to be carried out.

U Hla Htwe, NIKKEI and ANTARA news agency correspondent, asked about the programs and some agreements between the two countries and what prospects there are in further promoting Myanmar-China relations. Premier Li Peng replied the main objective of his goodwill visit is to promote mutual understanding and to lay a firm foundation which would form a basis for future cooperation. The premier explained that official talks were held during the trip and that the talks were beneficial and that these points can be seen in the joint communique to be issued soon. Signing of the bilateral agreements could be made by experienced government officials at an appropriate time and signing of agreements is normal routine work.

Mr. (Jin Xin Awlin), correspondent of CHINA NEWS SERVICE, said the premier met Chinese nationals living in Myanmar at the Chinese Embassy in Yangon. He asked the premier to clarify the policy on Chinese nationals living overseas. Premier Li Peng replied Chinese nationals living in Myanmar should abide by the law and rules of the country in which they live and they must live amicably with the local people. He hoped that the Chinese nationals would be able to contribute toward the economic development of Myanmar. He said China practiced and independent and peaceful foreign policy and conducts its international relations based on the Five Principles of Peaceful Coexistence. He said we absolutely have no intention to use overseas Chinese nationals for selfish gain. He expressed his hope that overseas Chinese would live amicably and peacefully with local people and contribute to the further development of China-Myanmar friendship.

The news conference concluded at 1040.

ABSDF Issues Report on Attack on SLORC Troops

*BK2912110994 Bangkok All Burma Students
Democratic Front Press Release in English 26 Dec 94*

["Press release" by the All Burma Students Democratic Front, ABSDF: "ABSDF Attacks SLORC Troops at Papun"; issued on 26 December; place not given—received via Internet SEASIA-L]

[FBIS Transcribed Text] On 25 December 1994, at 00:30 hours, the special military column of the Student Army of the All Burma Students Democratic Front attacked the State Law and Order Restoration Council [SLORC] at three strategic points: the No (1) Headquarters of the Military Strategy of the South-eastern Command of the SLORC, the Headquarters of the No (19) Light Infantry Regiment of the SLORC in the town Papun, located in

the eastern part of the Karen State, and the Security Military Post at the Iron Bridge on the Yun-Salin Stream.

All three locations came under a coordinated attack simultaneously. The battle continued for some 25 minutes, before the military columns of the Student Army systematically withdrew after achieving its objectives.

Meanwhile, SLORC troops had unsuccessfully fired 60mm, 81mm and 120mm artillery shells in the vicinity of the attacking Student Army, but no casualties occurred except for the destruction by the heavy artillery of a house owned by U Pe War Par and a local Buddhist monastery in the middle part of the village, Mae Nang Nwe. The number of dead and wounded personnel of the SLORC is still undetermined.

The Student Army were caused to attack the military base of the SLORC under the following circumstances:

1) SLORC attacked and attempted to occupy Dawn Gwin, ABSDF Headquarters, and Manerplaw; thereby SLORC broke its 2-year ceasefire announcement by its own volition, and was not provoked in any manner, except to take advantage of the temporary situation recently in the KNU [Karen National Union]-controlled area in an attempt to physically crush the democratic forces instead of through peaceful dialogue;

2) SLORC intends to build a dam in the Dawn Gwin area, where ABSDF Central Headquarters is located, not only threatening the students but villagers and the delicate river ecosystem, all for the need for monetary funds to prolong power; and

3) the Dawn Gwin-Manerplaw area has gained national and international political importance as the focal point of the democratic resistance against the ruling military regime, and therefore ABSDF has acted in order to safeguard ourselves against aggression by the military regime.

As a result of SLORC's unwillingness to stop its human rights violations and suppression of the peoples of Burma, ABSDF were forced to defend ourselves in 1988 in pursuit of the principles of freedom and democracy that the military dictatorship fears. ABSDF's goals are not and have never been to solve political questions by military means, but by peaceful political means, as was witnessed during the 8888 [8 August 1988] Uprising and in the May 1990 elections. The military dictatorship has been attacking and killing students, whether on the streets, in their beds, or in the jungle. Still, despite mounting pressures, SLORC continues with these brutal and deportee tactics, even as they stand before the world and talk about national reconciliation and use meetings with Aung San Suu Kyi for photo ops at the UN.

As long as SLORC does not hand over power to the rightfully elected representatives chosen by the people, as long as SLORC continues its wanton abuse and destruction of the country's natural resources for their

own personal political and material wealth, and as long as SLORC arrogantly pretends that Burma is on the path to peace and prosperity while treating its citizenry inhumanely, ABSDF will continue to bravely and without hesitation oppose SLORC by all means necessary and at anyplace necessary to repel their pugnacity and, united with all the peoples of Burma, rid the country of the scourge of suppression once and for all.

We beseech the SLORC to do the following immediately, for the sake of the country:

- 1) Declare a nation-wide, unconditional cease-fire TODAY,
- 2) Release Daw Aung San Suu Kyi and all other political prisoners NOW,
- 3) Transfer power to the legitimate representatives elected in 1990 DIRECTLY,
- 4) Sponsor genuine political meetings with ALL groups-ethnic and democratic-with Daw Aung San Suu Kyi.

[Signed] Central Committee, ABSDF 26 December 1994

Fighting Between Karen Religious Factions Resumes

BK3012064194 Bangkok THE NATION in English 30 Dec 94 p A 5

[FBIS Transcribed Text] Chiang Mai—Religious conflict between armed ethnic Karen Christians and Buddhists has flared again despite an earlier agreement to settle their disagreements by peaceful means.

About 150 Buddhist Karen mutineers have dug in around the Sop Moei temple on the confluence of the Salween and Moei rivers and on Wednesday fired gunshots at passing boats, both Thai and Karen.

Sop Moei Temple is located opposite Thailand's Mae Sariang district in Mae Hong Son Province. Yesterday all river traffic was halted for security reason.

The rivers serve as the border between Burma and Thailand and local villagers and the anti-Rangoon Karen guerrillas all use the two waterways as their main thoroughfare.

Border sources said the reason for the renewal of the conflict was unclear. The religious infighting caused the Karen National Union (KNU) "a tremendous loss" early this month when the ruling Burmese junta exploited the factional dispute and made a successful military advance into the area.

The sources said the 150 Karen mutineers are being supported by another 200 Buddhist fighters in nearby areas and that they are believed to have received arms and munitions from the Burmese army.

"Another clash between the two Karen religious factions would cost the KNU dearly," said one source.

Early this month the KNU moved its forces back from several frontline outposts to deal with the mutineers and to strengthen its Manerplaw headquarters, about 50 kilometres south of Sop Moei temple.

The withdrawal provided the Burmese army with the opportunity to capture first the outposts and then the Dawn Gwin headquarters of the dissident All Burma Students Democratic Front.

The two religious factions held several rounds of peace talks and eventually finalized a five-point agreement on Dec 15 in which the KNU leadership pledged freedom of religion and an amnesty for all the mutineers. The two sides also agreed to use peaceful means to resolve any future disputes.

The mutiny took place after KNU leaders expelled a Karen Buddhist monk from the Sop Moei temple on the suspicion that he was a spy for the Burmese junta, officially known as the State Law and Order Restoration Council (Slorc).

Karen Buddhist troops and villagers in the area were unhappy with the senior monk's expulsion and many said their religious activities had been restricted or forbidden by KNU leaders, who are predominantly Christian.

One of the sources said the names of those who represented each faction at the signing of the peace agreement showed that "the religious conflict had gone high up the senior Karen hierarchy".

Among those who signed on behalf of the Buddhist Karens were Padoh Mahn Sha, who is KNU leader Gen Bo Mya's adviser, KNU second secretary-general Col Tu Tu Lay, and senior KNU military leaders Brig Gen Kyaw Lin and Col Johny.

The source said it was necessary for the KNU to resolve the dispute as quickly as possible otherwise Slorc might again capitalize on the chaos resulting from the conflict.

Brunei, Malaysia & Singapore

Malaysia

Anti-Piracy Patrol With Philippines Planned

BK2912032994 Kuala Lumpur BERITA HARIAN in Malay 23 Dec 94 p 1

[FBIS Translated Text] Lumut, 22 December—Malaysia plans to undertake a joint patrol with the Philippines to eradicate acts of piracy in the country's eastern coast, particularly Sabah. Datuk Bernard Dompok, minister in the Prime Minister's Department, said this follows the success of a joint patrol with Indonesia in eradicating acts of piracy in the Malacca Straits.

"We hope to cooperate with the Philippines to eradicate acts of piracy, smuggling, and intrusion by foreign fishermen in the two countries," he said today.

Earlier, he inaugurated the Maritime Coordinating and Enforcement Center [PPPM] costing RM [Malaysian ringgit] 3.5 million here. Also present was PPPM Director Rear Admiral Datuk Tuan Hashim Tuan Mohamed and National Security Council Secretary Jaafar Ismail. According to him, the number of pirate attacks in the Malacca Straits decreased to eight this year from 82 in 1991 and 42 in 1992. Only five piracy cases were recorded last year.

Dompok said the PPPM will counter intrusion and handle various problems pertaining to the overlapping claims to islands that are also claimed by Malaysia.

Meanwhile, he said the country will use sophisticated equipment worth RM 90 million to conduct surveillance of the country's waters.

Singapore

'Limits' to Public Political Discussion Stressed

BK2912124494 Singapore THE STRAITS TIMES in English 29 Dec 94 p 1

[FBIS Transcribed Text] There are limits to how far the government will allow the political and artistic space for Singaporeans to be widened, and this process is best achieved through evolutionary, not radical change, the Prime Minister's [PM] press secretary said yesterday.

In a letter to THE STRAITS TIMES setting out the government's stand on public discussion and consultation on political issues, Mr. Chan Heng Wing said this space will be expanded "pragmatically and gradually".

It will not be done according to the wishes of the Western media, which has pushed for and praised U.S.-style democratisation in Taiwan and South Korea.

In 10 to 20 years, the results in Taiwan, South Korea and Singapore will speak for themselves," the letter said.

Referring to the PM's commitment to a more open and consultative style of government, Mr. Chan noted that Mr. Goh Chok Tong had been "disappointed and puzzled" over the loss of four seats and the 1.5 per cent fall in votes during the 1991 General Election when he made his style an election issue.

The PM had concluded that most Singaporeans were not interested in his style, whether it was "gentler" or "kinder", but wanted good government which produced results.

The 3 1/2-page letter was in response to a number of letters published in ST's Forum page on December 7 and a December 17 article headlined "Politics for politicians only?"

Several of the letter writers and political observers quoted in the article had questioned the way the PM had reacted to an article written by short-story writer Catherine Lim last month.

Dr. Lim had, among other things, suggested that the government was split between Mr. Goh's people-oriented approach and the sterner, no-nonsense style of Senior Minister Lee Kuan Yew.

It prompted a response from Mr. Goh, who said he could not allow his authority to be undermined by "writers on the fringes" and challenged those who wished to comment regularly on politics to enter the political arena.

Mr. Chan's letter yesterday elaborated on why the government has always required those who wanted to change the political agenda to enter the political arena openly.

He said this arose from the country's history, which was marked by subversion from the 1940s to the 1970s when communists and communalists "wrought damage operating from innocent-looking Old Boys Associations, musical societies, middle school students' unions and trade unions".

But this did not mean Singaporeans could not express their views on political issues, such as COEs [certificates of entitlement], property prices and ministerial salaries, he added. Many had done so through newspaper columns and public dialogues, but it was "a different matter in a traditional Asian society to destroy the respect accorded to the Prime Minister by denigration and contempt".

He said that as Singapore society matured over time, the limits of expression would widen. Indeed, many sensitive issues not aired publicly 10 to 20 years ago have been discussed. "But there will always be some limits to openness and consultation," he said.

Journalists, writers and theatre groups have been "pushing back the limits" of this openness by lobbying their private causes and having "the last word" on political issues, like the U.S. media.

If the government allowed critics and lobbyists to pile on the pressure, it would lose control. "The result will not be more freedom but confusion, conflict and decline," the letter said.

The government had to be in charge of the agenda, and did so, not by suppressing discussion, but by "defending its policies, rebutting and debunking criticisms which are wrong, and accepting constructive criticisms".

Mr. Chan noted that Mr. Goh's views on how to bring about a kinder, gentler society, which he had promised when he became PM in 1990, had evolved as he came to understand Singapore society better.

As a result, he had been placing out-of-bounds markers to define the limits: for example, the decision not to allow R-rated films pushed for by English-educated liberals who were out of touch with the conservative views of the HDB [Housing Development Board] majority.

As part of the kinder and gentler society, Mr. Goh had implemented Edusave, Medifund, the Small Families Improvement Scheme and had encouraged and supported financially the various ethnic self-help groups. "But to be effective, he cannot be kindness and gentleness all the time," Mr. Chan said.

Cambodia

Further on Planned Return of King Sihanouk

BK3012042194 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 30 Dec 94 pp 1, 2

[FBIS Translated Text] King Norodom Sihanouk of the Kingdom of Cambodia will return to the country on 4 January from Beijing, PRC, where he was receiving medical treatment. The return trip was previously planned for 16 January.

A high-ranking government official did not reveal the details concerning the change of the king's return date but disclosed that earlier the king had planned to stop in Pyongyang, North Korea, before going on to Phnom Penh; however, this plan has been canceled.

Khieu Kanharit, state secretary for information, further told REAKSMEI KAMPUCHEA on 28 December that it is not clear how long the king plans to stay in Cambodia; however, it is known that he will be in the country until March to attend the ICCOR [International Conference on Cambodia's Rehabilitation] meeting. He affirmed that there will be quite a lot of work to do during the king's visit. The state secretary did not give details of the issues to be resolved by the Cambodian king.

Some observers think that a number of major events could take place during the king's stay in Phnom Penh. These events could include the cremation of the bones at the Tuol Sleng prison museum, the amnesty for Sin Sen, and the deadline for implementing the law outlawing the Khmer Rouge, which will take effect on 7 January 1995.

It should be recalled that the cremation of the bones of victims killed by Pol Pot at Tuol Sleng, named S 21, during his regime is a controversial matter in the views of families of the victims, the Cambodian people, and local newspapers. A large number of opinions do not support the cremation of the bones, with the argument that doing so would destroy historical evidence.

The king has also requested amnesty for Sin Sen, a conspirator in the 2 July failed coup, who has been sentenced to 18 years in prison by the military tribunal and the high court. To this day Sin Sen is still in prison. A high-ranking government source earlier told REAKSMEI KAMPUCHEA that the government does not object to the king's request for amnesty; however, the government is considering how this can be accomplished without negatively affecting the prestige of Cambodia's law.

The Khmer Rouge is another problem. On 7 January, the bill to outlaw Democratic Kampuchea will take effect. It will also be the start of the dry season when military activities begin. Some people think that the king's presence could produce some sort of solution.

Furthermore, the royal presence of the Cambodian king is considered as a buffer and an opportunity to achieve a positive resolution to the current situation in Cambodia.

Sihanouk Calls for Softening of Draft Press Law

BK3012111394 Hong Kong AFP in English 1050 GMT 30 Dec 95

[FBIS Transcribed Text] Phnom Penh, Dec 30 (AFP)—Cambodia's King Norodom Sihanouk has voiced his concern over the harsh criminal penalties contained in the country's draft press law and called for their replacement with civil penalties, a statement released Friday said.

"With regard to the draft press law submitted to the National Assembly, I hope that in a law covering the press in Cambodia, the penal provisions will be replaced by civil provisions," the king said.

"I wish that in this law there will not be anything that contradicts the Universal Declaration on Human Rights, the UN Charter, and conventions on press and freedom of expression," he added.

Freedom of the press is new in Cambodia and began under the protective umbrella of the multi-million dollar UN operation here which soon led to an explosion in the number of papers. But most of the country's 30 or so newspapers—staffed mainly with Cambodian journalists with little or no training in journalism—are filled with political or racist opinions rather than fact.

To try and curb the unruly media the government is discussing a stiff press law which would make it a criminal offence to "publish anything which humiliates or degrades national organs or public authorities."

National and international human rights and journalist associations have united in criticizing the draft law, which Amnesty International describes as falling "short of international human rights standards to which Cambodia is a state party."

Cambodian officials have said they need a law to stop media excesses and encourage more professional standards, adding that the draft law will be debated by the National Assembly early next year.

Several foreign embassies and international organisations have begun funding training programs for Cambodian journalists to improve their reporting.

Cambodian journalists recently attended a seminar on media ethics which was organised by the UN Centre for Human Rights and the UN cultural organisation, UNESCO.

Information Minister Ieng Muli told the delegates that "publishing correct news depends on collecting correct information." But collecting facts can be dangerous in Cambodia. Several journalists have been threatened over the last few months and two have been killed this year.

Chan Dara was shot December 8 in Cambodia's central Kompong Cham province in an incident which many Cambodians believe was linked to his reporting of official participation in illegal logging.

Police quickly arrested the suspected killer. Kompong Cham Governor Hun Neng, brother of co-premier Hun Sen, told AFP the man was "part of a log company mafia."

Non Chan, news editor of Samleng Yuveakchon Khmer (Voice of Khmer Youth) newspaper was gunned down in central Phnom Penh on September 7 in what police described as either "a personal or political" killing.

The murderers have not yet been brought to justice in this case.

King Sihanouk, who has been recovering from cancer treatment in China, has been cleared by his doctors to return to Cambodia January 4.

When the king dominated Cambodian politics in the 1950s and 1960s foreign diplomats and others here at the time said he did not tolerate criticism in the press and barred several foreign journalists from the country.

But in Friday's statement the 73-year-old monarch said he did not want journalists to be hauled in front of the court even if they committed acts of lese majeste against him.

"I declare that no journalist be punished before the court" for attacks on the king even if they were inaccurate or slanderous, he said.

Ranariddh Departs To Meet Khmer Rouge Defectors

B.2912141594 Hong Kong AFP in English 1252 GMT 29 Dec 94

[FBIS Transcribed Excerpt] Phnom Penh, Dec 29 (AFP)—Cambodian Co-premier Prince Norodom Ranariddh flew to Siem Reap Thursday, as the government announced that more than 400 Khmer Rouge guerrillas in the northwestern province had defected over the past two weeks.

Prince Ranariddh left for the northwest to "visit defectors at Angkor Chum, a district where Khmer Rouge guerrillas have frequently harassed villagers and burned many homes," a government statement said.

It said that more than 400 Khmer Rouge soldiers had crossed over to the government side in the past two

weeks in Siem Reap province, and described the defections as a "major victory" for the government. [passage omitted]

Commentary Views Future of Khmer Rouge Troops

BK2912124394 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 28 Dec 94

[Political commentary: "Nothing Can Help"]

[FBIS Translated Text] Last Monday, during a trip to distribute aid to poor people in O Reang Euv District in Kompong Cham Province, Prince Krompreah Norodom Ranariddh, first prime minister, was welcomed by commanders and deputy commanders of units battalion-level and above of the former Democratic Kampuchea army who have returned to join society and the nation.

According to Hun Neng, Kompong Cham provincial governor, in December these 30 compatriots led 220 of their men, along with 39 wives and children, to leave the Khmer Rouge ranks and return to live in Kompong Cham Province. Most of these compatriots were from the so-called elite divisions 417, 920, 801, and 785. Many weapons were also brought along.

It should be recalled that early this year 534 compatriot Khmer Rouge soldiers, including 18 regiment and battalion commanders, presented themselves to authorities in Kompong Thom Province along with 247 weapons and a large quantity of material. In sum, nearly 2,000 Khmer Rouge compatriots awakened and returned to society and the nation in 1994, including those coming from Phnum Voar in Kampot Province and Phnum Kulen in Siem Reap Province.

Compared to the number of the elite forces of the rebels and bandits—estimated by military observers to be between 10,000 and 15,000 men—this figure is not that great. However, it is a most serious setback for the stubborn Khmer Rouge ring leaders. This is because these compatriots have been ordered by the Khmer Rouge to infiltrate the country to set up support bases to be used as a spring board for those at the border, and also as the bases supplying foodstuff to the frontline, particularly Phnum Voar and Phnum Kulen. These bases also act as recruitment centers to replenish their frontline ranks. The rebels cannot operate easily along National Routes 3 and 4 if they do not have bases at Phnum Voar. They also cannot infiltrate Siem Reap, Kompong Thom, and Kompong Cham Provinces if they lose Phnum Kulen.

Now Phnum Voar, Phnum Kulen, and many support bases—some have been built and maintained by the Khmer Rouge since the 1960's—have fallen into the hands of the Royal Government. Thousands of core and support troops—whom the Khmer Rouge have hoped to be able to continue to dupe into serving their insane ambitions—have awakened and realized what is bad and

what is good, what is right and what is wrong. They have successively abandoned the Khmer Rouge ranks and returned to live with society.

It should be recalled that, recently, in order to keep their troops, criminal Khmer Rouge ring leaders used a perfidious trick and ordered their soldiers to commit crimes against innocent people such as robbing, burning houses, raping women, and burning paddy and rice, and so on. This was designed to get each officer and soldier to become criminals soaked in crimes. Each has become a murderer killing his own people, parents, and relatives. Through this, the Khmer Rouge leaders had hoped that their troops would be afraid and would not dare to surrender for fear of being punished by the people and the local authorities. And if these compatriots do not return to society and the nation, they would be soaked deeper in crime. This would be an effective means to serve the Khmer Rouge's maneuver to return to power.

However, this did not turn out the way the Khmer Rouge had hoped. Compatriot officers and men who have infiltrated the people's localities have witnessed the development of the areas and realized that the people are enjoying abundant freedom and rights. Therefore, these compatriots have awakened and successively returned to society and the nation. They have received moral and material assistance from the Royal Government and are loved and considered by friends and relatives in villages. All this further shows that from now on nothing can save the Khmer Rouge rebels from oblivion.

KR General Reportedly Sets Up New Base in Pursat

BK3012040294 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 30 Dec 94 p 2

[FBIS Translated Text] A Khmer Rouge general notorious for killing people, Nuon Paet, who killed three foreigners at the end of July in Phnum Voar in Kampot Province, is reported to have set up a rebel base atop Phnum Kravanh Mountain in Pursat Province's Kravanh District.

THE CAMBODIA DAILY quotes Nuch Hin, deputy police chief of Pursat Province, as saying that "Nuon Paet was seen by villagers in Chheu Thom commune in Krakor District in the past week."

The deputy police chief adds that "Khmer Rouge General Nuon Paet was accompanied by bodyguards, and they have set up a rebel base on Phnum Kravanh; it is believed that the base will be used to bring weapons from the Thai border to Cambodia."

The provincial police officer further says that Nuon Paet has cooperated with Khmer Rouge rebel Divisions 5 and 36 operating in Pursat Province.

He specifies that the provincial forces and the Khmer Royal Armed Forces conducted joint operations on 11 December to penetrate the Khmer Rouge zone to check Paet's activities there.

Codefense Minister Tea Chamrat could not confirm this report but said "I have heard that Paet has mobilized forces loyal to him; I should hear about this in the coming days."

Tie Banh, codefense minister, agreed on 27 December that it is possible that Paet will use Phnum Kravanh as a new base to carry out rebel activities.

In an interview on 27 December in Phnom Penh, provincial deputy police chief Nuch Hin said that according to reports, all roads from Kravanh District leading to the top of Phnum Kravanh mountain have been closed by Paet's forces.

It is known that Nuon Paet received orders from Khmer Rouge leaders to kill three foreigners—Briton Mark Slater, Frenchman Jean-Michel Braquet, and Australian David Wilson—at Phnum Voar at the end of July.

Foreign ministries of many Western countries have denounced these murders as "a coward, brutal, and despicable act" and hold the Khmer Rouge, led by Nuon Paet, responsible for the killings. They say that he should be tried in a court of law.

Tony Kevin, Australian ambassador to Cambodia, has said that "this issue is not yet concluded; it is very important. The Cambodian Government should intensify efforts to bring criminals and murderers to trial."

KR Reacts to Hun Sen Statement on Human Rights

BK3012061294 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 29 Dec 94

[Unattributed commentary: "Hun Sen, Puppet of Communist Vietnam, Confirms That He Does Not Respect Human Rights and Democracy; Says Those Opposing the Two-Headed Government Will Be Destroyed"]

[FBIS Translated Text] Hun Sen, out and out lackey of communist Vietnam, said that respect for human rights cannot be accomplished. Those demanding rights, freedom, and democracy will be killed.

What does this statement by the one-eyed Hun Sen mean? It means that the Cambodian people in rural areas and cities, including students and journalists in Phnom Penh, oppose the two-headed government. They oppose the two-headed government's continuation of the communist Vietnamese aggressors' war to kill Cambodians. They oppose the two-headed government for not reconciling the nation; for allowing 4 million Vietnamese to stay in Cambodia; for being extremely corrupt; and for using the nation's money to buy weapons to fuel the war. They demand that the two-headed government use this money to buy foodstuffs to ease the people's famine; and so on.

It is the struggle by the Cambodian people in cities and rural areas that the one-eyed Hun Sen said he opposes

and will destroy. He will smash ordinary people, reporters, and FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] officials. He will destroy all those who oppose him. Communist Vietnam's puppet does not care about human rights or democracy as long as he achieves the policy of communist Vietnam, his master, namely to kill Cambodians and bring more Vietnamese to Cambodia.

This is the essence and meaning of the above statement by the one-eyed Hun Sen. Our Cambodian people are not surprised by the statement of this criminal, because they know him very well, a traitor and out and out lackey of communist Vietnam. These guys have been collaborating with communist Vietnam to kill the Cambodian nation and people for 16 years. They still carry on this crime. They do not care about democracy and respect for human rights.

The people have clearly realized that human rights and democracy can take place in Cambodia only when the traitorous two-headed government administration is destroyed and smashed and a genuine national government is set up.

Indonesia

*** Suharto Announces Details of Bogor Declaration**

95SE0030A Jakarta KOMPAS in Indonesian 16 Nov 94 pp 1, 13

[FBIS Translated Text] Bogor (KOMPAS)—The APEC [Asia Pacific Economic Cooperation] Economic Leaders Meeting (AELM) at the Bogor Palace on Tuesday, 15 November, agreed to set the year 2020 as the deadline for achieving free and open trade and investment in the Asia Pacific region.

The agreement, contained in a Declaration of Joint Resolve by APEC economic leaders, was revealed Tuesday afternoon by President Suharto, chairman of the AELM, in his press conference at the Bogor Palace in West Java.

The economic leaders of 18 countries attended the AELM: Indonesian President Suharto, U.S. President Bill Clinton, Canadian Prime Minister Jean Chretien, Japanese Prime Minister Tomiichi Murayama, PRC President Jiang Zemin, South Korean President Kim Yong-sam, Philippine President Fidel Ramos, Thai Prime Minister Chuan Likhai, Malaysian Prime Minister Mahathir Mohamad, Singaporean Prime Minister Goh Chok Tong, Bruneian Sultan Hassanal Bolkiah, Papua New Guinean Prime Minister Sir Julius Chan, Australian Prime Minister Paul Keating, New Zealand Prime Minister Jim Bolger, Mexican President Carlos Salina de Gortari, Chilean President Eduardo Frei, Hong Kong Finance Minister Sir Hamish MacLeod, and Chairman of the Taiwan Economic Planning and Development Council Vincent C. Siew.

"APEC's long-term objective is to create free and open trade and investment in the Asia Pacific region. Industrialized countries will achieve this in 2010, whereas developing countries will achieve it by 2020," the chief of state said.

The proposal to set 2020 as the deadline came from the APEC Eminent Persons Group (EPG). Prior to the AELM, most APEC members, except for China and Malaysia, had accepted the proposal. China took a cautious attitude, while Malaysia strongly rejected it, because it felt APEC did not have the mandate for it.

President Suharto, who smiled much during the press conference and was accompanied by 17 APEC economic leaders, announced the selection of Japan as the site for the third AELM, to be held in 1995.

President Suharto said that through this AELM in Bogor, APEC has decided the future direction and program of economic cooperation in the Asia Pacific region. The purpose of it all is to improve the prospects for rapid, balanced, and evenly distributed economic growth in the Asia Pacific area and throughout the world.

Plans for the Future

The chief of state said further that although the 1993 AELM at Blake Island faced uncertainty about finalization of the Uruguay Round, this meeting in Bogor was presented with its success, as marked by the GATT agreement and the ultimate creation of the World Trade Organization (WTO). He said that APEC took advantage of the momentum to plan future Asia Pacific economic cooperation, especially in the liberalization of trade, investment, and economic development, based on principles of GATT and the WTO.

To support trade and investment, the AELM stressed increased cooperation in connection with human resources, economic infrastructure improvement, science and technology, environmental issues, promotion of small- and medium-sized businesses, and participation by private business.

The AELM also agreed to determine ideological, constitutional and operational foundations that will guarantee ongoing economic cooperation in the Asia Pacific area. Partnership, mutual respect, and mutual benefits are the ideological foundation. The GATT agreement and the WTO are the constitutional foundation, and all APEC accords, based on the principle of the strong helping the weak, are the operational foundation.

When asked which sectors have potential for cooperation, Suharto said it is the job of the ministers to decide the details and to implement them. For that purpose, the APEC economic leaders will assign their respective ministers and officials to prepare immediately the details of the decisions and report them to the leaders.

"How do you envision the world economic situation in 2020?" asked a reporter from Japan. President Suharto

answered that the picture has to be better than it is now. Jokingly he said, "I hope you will live long enough to see it."

Will the rapid development of APEC also expedite AFTA (ASEAN Free Trade Area)? The president said, "We must work hard and make appropriate plans on the basis of accurate information. So far, AFTA has been speeded up from 2008 to 2003. If it is proved that AFTA can be expedited, certainly APEC can too."

North-South

When asked whether the success in getting political commitment for creation of free and open trade and investment in the Asia Pacific area can be used for developing a North-South dialogue, President Suharto said that the AELM's themselves are an expression of North-South dialogue, remembering that the 18 APEC countries consist of developed, newly industrialized, and developing countries.

The "Jakarta Message," which was issued by the Non-aligned Movement summit conference in Jakarta (1992) and stressed North-South dialogue, led the way and became a UN resolution. Thus, all that was needed then was implementation of the North-South dialogue. By holding AELM's, APEC actually has initiated the dialogue.

Asked about a comprehensive resolution of the East Timor issue, President Suharto did not respond directly. He said only, "If you want to get an explanation of that, there will be a more appropriate time."

As for basic human rights, the chief of state said the subject was not discussed in the AELM but that APEC constitutes an implementation of dialogue for approaching problems facing each member country.

"Clearly, we want to work together on the basis of mutual respect and mutual benefit. Thus, when there is a subject a member country wants to discuss, it can be presented in bilateral meetings. This is not done in the framework of correction, however, but in a framework of mutual help," Suharto stated.

Trade Liberalization

The declaration of joint resolve by the APEC economic leaders strongly rejected the formation of a closed trade bloc and expressed resolve to create a regional free trade and investment system that will encourage and strengthen liberalization of trade and investment in the entire world.

The declaration said that the vision for Asia Pacific economies is based on recognition of the growth of mutually dependent economies, which consist of developed, newly industrialized, and developing economies in various regions.

It was agreed in the AELM that members with developed industrialized economies in the Asia Pacific region will

give opportunities to developing economies to increase their economic growth and raise their level of development. At the same time, the developing economies will try to maintain a high rate of growth for the purpose of attaining the level of prosperity now enjoyed by the newly industrialized economies.

"This approach will be cohesive and coherent and will encompass the three pillars of ongoing growth, equitable development, and national stability. It will narrow the disparities among the levels of development of Asia Pacific economies, benefit all members, and promote the achievement of overall Asia Pacific economic growth," the declaration said.

With this viewpoint, APEC economic leaders agreed that the speed of implementation should take into consideration the differing levels of economic development among APEC members. The declaration said that industrial economies will reach the goal of free and open trade and investment before 2010, whereas the developing economies will achieve the goal before 2020.

"We want to emphasize our firm rejection of formation of an 'inward-looking' trade bloc that could disrupt the attainment of global free trade. We are resolved to conduct free and open trade and investment in the Asia Pacific area, in a way that will encourage and strengthen liberalization of trade and investment in the Asia Pacific region and reduce barriers, not only among APEC economies, but between APEC members and nonmembers, too," the declaration said.

Investment Facilities

The AELM declaration of joint resolve also said that in order to complete and support this important liberalization process, APEC leaders decided to expand and speed up investment and trade facilities programs. This effort will promote greater flow of goods, services, and capital among APEC members by eliminating administrative barriers and other obstacles to trade and investment.

"We emphasize the importance of trade facilities, because trade liberalization efforts themselves are not enough to expand trade," the declaration continued.

The APEC leaders also asked officials and ministers of the respective countries to submit proposals about customs duties, standardization, investment principles, and administrative barriers to market access.

The APEC leaders also expressed their appreciation for the important recommendations in the reports of the EPG and the Pacific Business Forum (PBF). "We agreed to ask these two groups to continue their activities by giving APEC leaders their evaluations of APEC progress and by making further recommendations on improving cooperation among members."

The APEC leaders also asked the EPG and the PBF to study relations between APEC and subregional arrangements such as AFTA, the Australia-New Zealand

Regional Economic and Trade Area (ANZERTA), and the North American Free Trade Agreement (NAFTA), and to study possible options for preventing barriers between them and for promoting consistency in these relations.

Alatas on Efforts To End Embargo Against Iraq

BK2912124694 Jakarta KOMPAS in Indonesian 29 Dec 94 p 14

[FBIS Translated Text] Jakarta, KOMPAS—As chairman of the Nonaligned Movement (NAM), Indonesia has always sought an early end to the UN Security Council's embargo against Iraq. Lifting the embargo is considered an urgent action because it has caused suffering to people in that country.

This was disclosed by Foreign Minister Ali Alatas after attending a plenary cabinet meeting at the State Secretariat building here on Wednesday (28 December).

According to Alatas, even though the embargo against Iraq is still in effect, medicine and foodstuff are allowed to enter the country. "However, the amount of medicine and foodstuff that enter Iraq is inadequate. Therefore, in its capacity as NAM chairman, Indonesia always has sought ways to end the three-year-old embargo as early as possible."

He said that NAM is facing problems in trying to end the embargo because there are still differences of opinion within the movement on this issue. As an example, Alatas cited the case of Kuwait and Saudi Arabia that insist on retaining the embargo. "That is why there is no consensus yet. Indonesia wishes to see an early consensus among NAM members as well as an early end to the embargo," he said.

The fact that no consensus has been reached at the NAM Coordinating Board in New York has also prevented a consensus at the UN Security Council. "The UN Security Council cannot reach a consensus because there are still a number of unfulfilled requirements," said Alatas. Despite Iraq's recognition of Kuwait's sovereignty on 10 November and its consent to allow a UN supervisory team to enter the country to control its armaments, the UN Security Council believes that all those actions have not fulfilled the requirements to lift the embargo.

Alatas noted that a consensus has not been reached within the UN Security Council itself on the implementation of the Security Council's resolution, saying: "The UN Security Council is not interested in one or two requirements already fulfilled by Iraq, which explains why a consensus cannot be reached on lifting the embargo."

Taiwan Official Discusses 1995 Investment Target

BK2912141294 Jakarta ANTARA in Indonesian 1140 GMT 29 Dec 94

[FBIS Translated Excerpt] Jakarta, 29 Dec (ANT-ARA)—The Taiwan Government has targeted an investment of U.S.\$10 billion by the end of 1995, or an increase of U.S.\$3.2 billion compared to 1994.

Speaking to ANTARA in Jakarta on Thursday, Alexander S. Chen, chief of Taiwan Economic and Trade Representative Office in Indonesia, said that Taiwan's total investments in Indonesia in 1994 at U.S.\$6.8 billion have not reached maximum potential because many existing opportunities are not yet utilized. "Nineteen ninety-five will provide bright prospects for the Taiwan Government and businessmen to boost their investments in Indonesia," he said.

Chen said the trend to boost investment in Indonesia is attributed to the Taiwan Government's decision to issue various economic deregulation policies in the banking and real estate sectors, which will result in increased profits for businessmen.

"The impact of the deregulation policies issued in 1994 will be felt in 1995 because Taiwan businessmen will certainly judge the effectiveness of the policies first. Taiwan businessmen are likely to respond positively to the deregulation policies and this will manifest in increased overseas investment," said Chen. [passage omitted]

* EAGA Goals Lauded, Countries' Gain Questioned

95SE0047A Jakarta BISNIS INDONESIA in Indonesian 19 Nov 94 p 6

[Editorial: "Free Trade in East ASEAN"]

[FBIS Translated Text] We deem the recommendations produced by the first meeting of the East ASEAN Business Convention at Davao, the Philippines, this week to be important. They include a proposal to make East ASEAN waters a domestic shipping area. At present, these waters are treated as an international shipping area. In certain cases, this status hinders the flow of trade between the countries involved.

This recommendation was an aspect of the desire of the 12 areas participating in the East ASEAN Growth Area (EAGA) to make the EAGA a pilot project for the ASEAN Free Trade Area (AFTA). We are impressed by the strength of their desire to be pioneers of ASEAN free trade.

If the recommendation is approved, the EAGA, which encompasses Brunei Darussalam, Indonesia, Malaysia, and the Philippines, will create an ASEAN free trade area in only three years. After being speeded up, AFTA itself is projected for realization in 2003. The attitude of EAGA businessmen is clearly a step ahead.

It appears that the region encompassed by the EAGA considers itself ready to face the era of ASEAN free trade. It is not wrong for an area that is more prepared to implement liberalization earlier. In this way, the realization of AFTA will take place in stages, rather than at one time for entire area.

Indeed, the realization of AFTA must come about stage by stage. This will provide better opportunities for each participant to prepare itself. It will also lessen undesired impact. The resolve of the EAGA to be a pioneer in bringing AFTA to realization should receive support from many sides.

We continue to believe that many positive effects are to be gained from free trade. For example, the elimination of barriers will spur trade activity. There will be more extensive job opportunities. Industry, transportation, investment, and other services will also be encouraged. Economic growth is expected to reach higher levels.

The eastern region of Indonesia, which is a part of the EAGA, will probably also reap benefits. That region, which has been more backward than other parts of Indonesia, may become more dynamic. By becoming the area that pioneers free trade, Eastern Indonesia will catch up faster.

All of this still depends on the readiness of local governments and businesses, however. Governments should be prepared sooner with ways to eliminate trade barriers. The attitudes of officials in the field should also be in harmony with government policies. They will be required to work more efficiently and professionally.

We can question the readiness of local businesses to face the era of free trade. In the shipping sector, for example, our balance of payments is always a deficit. In other words, foreign shipping companies transport most of our exports and imports. Our businesses are far behind their foreign competitors.

Without adequate preparation by our domestic businesses, there is cause for worry that our neighbors will reap the greater profits from free trade. Such worry can trigger better preparation on our part. Without that preparation, our businesses will be crushed by a flood of imported products.

Free trade in the EAGA will be a test of free trade in all of ASEAN. It will be a measure of how far each ASEAN member country is ready to conduct free trade. In a wider context, it will also be a study of the extent of our ability to carry out the provisions of the Bogor Declaration. Clearly, competing in an ASEAN free market is still easier than in the Asia Pacific area.

Support Urged for Weak Segments of Economy

BK2412143794 Jakarta KOMPAS in Indonesian 23 Dec 94 p 4

[Editorial: "Overcoming the Gap Through Genuine Partiality to the People's Economy"]

[FBIS Translated Text] We are now facing a big question: How can we resist the great wave of global trade and investment liberalization? This question is based on

the reality of how uneven our national economic structure is. It is a structure dominated by traditional economic actors who have very limited access to the market, capital, technology, or information.

A lot of different problems have emerged since deregulation packages were introduced in the mid-1980's. The issue of conglomeration echoes the loudest as the lower social stratum is left behind in the competition for economic opportunities provided by the government. Without belittling its positive achievements, deregulation has created an imbalance between the stronger economic actors and the weaker ones in their efforts to achieve progress and growth. Deregulation has been blamed for the wider economic gap.

An even worse picture is overshadowing us as reality requires us to act beyond domestic competition. There is a confidence that the world will one day be unable to distinguish between the domestic and international markets.

There is proof that countries that pursue a liberalized economic system have been able to gain greater progress than those with a different economic system.

Conversely, there is a conviction that economic progress will not automatically benefit those in the lower social stratum. In many cases, the development process has caused a trickle-up [preceding two words in English] in which the system gives more benefit to those in the higher social stratum.

For us, the question is not whether we are going to go along with the global wave. As a nation, we have made a choice to go along. The problem now is how to take optimal advantage of every opportunity while simultaneously ensuring that the economic advantages of liberalization will be enjoyed by the whole nation and will not wipe out the weaker economic actors.

This problem may be our greatest economic task at present because it affects the fate of the majority of the people. Central Bureau of Statistics data shows that in 1992 97.4 percent of Indonesian families were still involved in home industries with an annual turnover below 50 million rupiah. Meanwhile, 14 percent of the population still lives below the poverty line.

Ginanjana Kartasasmita, minister of state for national development planning and chairman of the National Development Planning Board, warned us in his lecture at Gajahmada University in Yogyakarta on Tuesday (20 December) of the possible positive and negative affects of the liberalization process.

According to Minister Ginanjana, the correct answer to avoiding the negative affects of liberalization is partiality toward the lower economic actors; what he calls the people's economy. Without real partiality—partiality that is manifested in strategic steps to overcome the people's backwardness and low competitiveness—the economic gap will widen. In concrete terms, the strategic

steps must be manifested in policies to improve the access of lower economic actors to facilities ranging from production means to human resource development with the objective of improving their competitiveness. Simultaneously, efforts must also be made to provide legal protection from the negative side of the liberalized market practices.

We know that the government has launched a lot of programs to overcome the economic gap and free people in the lower social stratum from backwardness. Various efforts have been made, ranging from credit schemes and appeals.

Without belittling these efforts, we must modestly admit that the present problem is getting serious. Two economies—the traditional economy and the modern economy—are increasingly confronting each other. From time to time, we witness the fall of lesser enterprises. Small-scale cooking oil, paper, and battery factories have virtually disappeared from the nation's economic scene.

On the basis of the above-mentioned reality, what Minister Ginanjana said was true. Partiality to the backward people—the weaker economic actors—should no longer be questioned. This has become a prerequisite because only countries with a strong economic structure will win the "war" in the global market.

The government's partiality to the weak may not be sufficient to settle the problem we are encountering unless it is supported and followed by the whole nation, including major entrepreneurs. The goal of achieving common progress through ethics-based business practices will accelerate the improvement of the situation.

Laos

Press Release on MIA Excavations Issued

BK3012094594 Vientiane KPL in English 0902 GMT
30 Dec 94

[FBIS Transcribed Text] Vientiane, December 30 (KPL)—Between December 4-20, a joint U.S.-Lao technical team conducted a joint operation on the survey and excavation in the northern Houa Phan and Xieng Khouang Provinces and the central Khammouane and Savannakhet Provinces.

During the operation the survey was made on 23 sites out of the planned 30 sites in Khammouane and Savannakhet. The excavation which was not completed was carried out at one site in Xieng Khouang and in Houa Phan.

In addition to the survey and excavation, the joint technical team also conducted interviews with Lao and foreign witnesses for site identification in Houa Phan Province.

The joint operation has detected some crash sites, personal belongings, materials and remains of pilots.

The operation of survey and excavation is in implementation of the humanitarian policy of the Lao PDR [People's Democratic Republic] Government towards the proposal of the U.S. Administration as well as towards the families of the Americans missing in action (MIA) and according to the plan of the second joint operation for the 1994-1995 period.

Interior Official Receives Burmese Delegation

*BK3012103394 Vientiane KPL in English 0908 GMT
30 Dec 94*

[FBIS Transcribed Text] Vientiane, December 30 (KPL)—Police Brigadier General Siangsom Kounlavong, deputy-minister of interior, on December 28 afternoon, received here a visiting delegation of the Ministry of Interior of the Union of Myanmar [Burma] led by its deputy-minister, Colonel Tin Laing.

During the cordial meeting, the two deputy-ministers talked of matters in social security and the strengthening of the cooperation between the two countries' ministries.

Vice Prime Minister Receives Yunnan Delegation

*BK3012102894 Vientiane KPL in English 0905 GMT
30 Dec 94*

[FBIS Transcribed Text] Vientiane, December 30 (KPL)—Yesterday afternoon, Mr. Khamphoui Keoboulapha, vice prime minister and president of the Committee for Planning and Cooperation (CPC), received at the CPC office a delegation of the Chinese Yunnan Province led by Mr. Liu Jing, vice-governor of Yunnan Province.

Mr. Liu Jing informed the Lao vice premier of the aims of the visit to Laos by his delegation which are to tighten up the economic ties and cooperation between Laos and China, in particular the joint venture in and development of aviation between Laos and China.

Mr. Khamphoui Keoboulapha hailed the visit by the Chinese delegation and described it [as] a contribution to the tightening up of the time-honoured relations of friendship between the two neighbours. He also wished the Chinese visitors success in their visit to Laos.

Also on the same day afternoon, the Chinese delegation also called on Mr. Phao Bounnaphon, minister to the Prime Minister's Office. The talks touched upon a number of issues related to the growing relations and cooperation between Laos and China.

This morning, the Chinese delegation met the mayor of Vientiane Prefecture, Mr. Boun-gnang Volachit.

Philippines

Editorials Criticize Reaction to U.S. Advisory

BK3012050294

[FBIS Editorial Report] Three newspapers—PHILIPPINE DAILY INQUIRER, MANILA CHRONICLE, and MALAYA—publish editorials on 28

December dealing with government officials' reaction to the travel advisory issued by the U.S. State Department designating the Philippines as a dangerous destination.

Quezon City MALAYA in English on 28 December carries a 352-word editorial on page four entitled: "So What's the Beef?" It mocks government officials' reaction to the travel advisory, saying: "It is undeniable that criminality is a 'serious' concern in the Philippines, so what are we bitching about when the United States tells its citizens it is so?" After noting areas plagued with insurgency, the paper concludes: "The war against crime appears to be unwinnable."

Manila PHILIPPINE DAILY INQUIRER in English on 28 December carries a 251-word editorial on page six entitled: "Cheap Points." It notes that government officials are "too quick to protest, with guns blazing, when we are affronted by the Americans and are timid to protest abuses on our overseas workers in some Third World countries or the more blatant transgression of our sovereignty by our 'closest' ally in ASEAN—Indonesia." It adds: "Is our ability to react quickly to the United States the only test of sovereignty or nationalism? We react because the Americans said it, based on reports that are published daily by our newspapers."

Manila PHILIPPINE DAILY INQUIRER in English on 28 December carries a 490-word editorial on page six entitled: "Cheap Shots." It defends the media from the accusation of a Philippine National Police official "for drawing an image of a crime-ridden Philippines," and insinuation "that some media organizations have been infiltrated by Communists who want to destroy the country's image abroad."

The paper retorts: "The problem is not publicity, which puts the heat on law enforcement officers to do what they are paid to do, but incompetence and plain incapacity."

The paper continues: "Our officials are ultrasensitive about reports on rising crime because, firstly, such reports highlight the government's failure in combating crime; and secondly, the rising crime rate underlines the fragility of our economic growth and erodes confidence of foreign investors, as well as of Filipino citizens, in the ability of our government to deal with crime."

In conclusion, the paper proposes to government agencies concerned "to eradicate the causes of crimes and to make the law-enforcement agencies more effective. The press reports only what it sees and hears."

Manila MANILA CHRONICLE in English on 28 December carries a 678-word editorial on page four entitled: "Let's Issue Our Own Travel Advisory." It believes that: "What the government should do is to protest the advisory for being one-sided and reductionist. Manila streets may be dangerous but hey, they are nothing compared with Calcutta's or Dhaka's. And what about the hazards of travelling in Florida? Even the White House has become a target practice area for trigger-happy Americans."

The paper proposes to the interior department "to issue an advisory to all Filipinos that warns them that traveling in their own country may be hazardous to their health and well-being. In this way we uphold our sovereignty as a nation and make a point that our peace and order problems are a domestic issue."

The paper concludes: "And it is hoped the release of the several advisories will make the U.S. advisory redundant and perhaps render the State Department superfluous. That will silence the U.S. Government forever."

President Ramos Signs 1995 National Budget

BK3012064794 Quezon City PTV-4 Television Network in Tagalog 0500 GMT 30 Dec 94

[FBIS Translated Text] President Fidel Ramos signed the 1995 General Appropriations Act providing for the national budget amounting to P[Philippine pesos]383.2 billion, this morning. In a simple ceremony held at the Ceremonial Hall in Malacanang [presidential office], the president praised Congress leaders for supporting the passage of the national budget.

The president once again stressed his projection that 1995 will be a fruitful year for the Philippines because of continued economic improvement. However, the president vetoed the item on debt service, which was inserted by Congress in the 1995 budget. The president cautions that the court's ruling, which supports the legality of assigning automatic appropriations to pay foreign debts, must be complied with.

The government agencies that received the biggest share are the Department of Education, Department of Public Works and Highways, Department of National Defense and Department of Interior and Local Government. In his short message, the president said that the 1995 budget ensures that the government will be able to continue to provide important services to the people. This will also ensure the completion of government projects that lead to the country's continuing development.

[Begin Ramos recording, in English] The executive branch, starting on 2 January, will work around the clock to make sure that the GATT related measures, both [word indistinct] as well as through special laws will be implemented without any delay. [end recording]

Ramos Launches New Economic Growth Corridor

BK3012085494 Manila BUSINESS WORLD in English 28 Dec 94 p 7

[Report by Rachel E. Khan]

[FBIS Transcribed Text] President Ramos yesterday launched a new growth corridor called the Metro Manila-Rizal-Laguna-Quezon Growth Area (Marilaque) to encourage the development of areas on the outskirts of the metropolis.

"There is a need to decongest Metro Manila and we can only do this by facilitating the development of its nearby provinces. A natural and logical expansion would be eastward of the capital; thus, we must provide a growth corridor between the Metro Manila area and the provinces of Rizal, Laguna and Quezon," Mr. Ramos said in his speech at the launching.

The launching of the new growth area was held at the Antipolo town in Rizal. It also coincided with the 120th birth anniversary of Don Juan Sumulong, a former senator and grandfather of former President Aquino.

And to ensure that the growth area is realized soonest, the president ordered all concerned government agencies to expedite the implementation of Marilaque's component infrastructure projects.

He cited the following projects to achieve the goals of the growth area:

- Marikina-Infanta road project worth P [pesos] 646 million, which covers 132.9 kilometers starting from Marikina-Cogeo-Boso-Boso section in Rizal traversing the rugged Sierra Madre mountains and ends at Infanta, Quezon;
- Rizal Industrial Estate Project;
- Lungsod Silangan Mass Housing Development project;
- Laiban Dam Project to supply sufficient water for the people, irrigation and power generation; and
- Manggahan Floodway Socialized Housing Project.

Mr. Ramos said he wanted the Marilaque to resemble existing zones such as the Calabarzon (Cavite, Laguna, Batangas, Rizal, Quezon) and the Northwestern Luzon Growth Quadrangle composed of Pangasinan, the Ilocos provinces, La Union, Benguet and Baguio City.

He said a presidential commission has been created to ensure a comprehensive and unified development planning for growth area. The commission was tasked to prepare an integrated development plan for the area that will encompass agri-industry, housing, tourism, environmental protection, water supply, power generation, natural resources and other investment opportunities. "We have to create one so that we can be sure that the development of this part of Luzon will be well thought of, well directed and very well supported by the people," Mr. Ramos said, adding, "kailangan alisin natin iyong 'sari-sari' approach na pagpapalano at tayo ay magkaisa para sa ikabubuti ng lahat. (A comprehensive development plan is needed and we must cooperate with the plan for the common good)."

Central Bank Chief Predicts 'Steady Growth'

BK3012083594 Manila BUSINESS WORLD in English 28 Dec 94 pp 1, 6

[Report by Sheila A. Samonte]

[FBIS Transcribed Text] The country's steady growth seems not only possible, but certain," said Bangko Sentral [Central Bank] Governor Gabriel C. Singson in his yearend report to the president.

In yesterday's economic briefing for BUSINESS WORLD editors and reporters, Mr. Singson said even the "usually conservative" International Monetary Fund (IMF) was convinced recent economic strides bolstered the country's chances of growing 6 percent to 6.5 percent next year.

He attributed this year's positive output growth to continued investors' confidence, stable power supply and the rise in investments, exports and consumer demand.

"Up until 1993, the Philippines was one of the slowest growing economies in Asia. But now, with real gross national product (GNP) expected to register a growth of 5.5 percent in 1994, the highest since 1990 and considerably better than 3.5 percent and 4.5 percent originally anticipated, sustainable steady growth seems not only possible, but certain," the report said.

Key indicators presented by the Bangko Sentral are, however, glaring proof the country has yet to completely lick its serious economic imbalances.

One worrisome indicator remains the country's outstanding external debt, which is projected to grow by 10.5 percent to \$37.9 billion in 1994 from the end-1993 level of \$34.282 billion, notwithstanding the declining reliance of the country on foreign borrowings.

As a percentage of the country's exports of both goods and services, the Bangko Sentral said the level of external debt payments for principal and interest is an improvement from the debt crisis period in 1984. Debt-service ratio is expected to decline to 17.6 percent this year from 18.7 percent last year and 37 percent in 1983. The level of outstanding debt is seen to account for 67.8 percent of GNP this year from 61.7 percent last year and 83.6 percent in 1983.

Except for Malaysia, which has an actual debt-service ratio of 22.4 percent last year, the Philippines remains on the high end compared to its neighboring countries in the Association of Southeast Asian Nations, (ASEAN) according to the "Asian Development Outlook for 1994."

The Bangko Sentral is more confident of ending 1994 with a balance of payments (BoP) surplus of \$710 million due to recent surges in capital flows.

Although the projected 1994 surplus is a reversal of the \$501 million deficit registered the previous year, it represents a downward adjustment from its original yearend target of \$1.637 billion (or a 56.6 percent downscaling).

Mr. Singson said heavy inflows has failed to compensate for the widening financing gaps on the balance of trade

and the current account—still considered the Achilles' heel of the growing economy.

"A seemingly healthy balance of payments on top of a failing trade account implies the economy lives on borrowed funds," the Freedom from Debt Coalition (FDC) said.

It said the projected level of gross international reserves of the Bangko Sentral amounting to \$7 billion is still considered insufficient cover for the yearend trade deficit projected to hit \$7.8 billion.

Based on the Bangko Sentral's yearend report, exports (particularly of electronics and semiconductors with high import content) expanded by 19.1 percent even as the peso continued to appreciate in the second half.

Imports, primarily led by capital goods, raw materials and intermediate products, led by 21.4 percent due to the overall expansion of production activities.

The report projects the current account deficit to hit \$3.2 billion or equivalent to 6 percent of GNP, which the Bangko Sentral considers an improvement over last year's level of 5.9 percent.

Net inflows lodged under the current account are mostly from the service sector, which rose significantly by 66 percent due to overseas workers remittances and peso withdrawals from foreign currency deposits.

"Besides exports, the main sources of foreign exchange represent future claims on the economy," the FDC said.

Defense Secretary Views Mindanao Peace Situation

BK2912033494 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 28 Dec 94

[FBIS Translated Text] Military operations alone cannot solve the peace problem in North Cotabato. This is the prevailing view in the Senate briefing held on the peace situation in Mindanao.

Defense Secretary Renato De Villa told the Senate Committee on National Defense and Security that there are many issues that need to be addressed to resolve the Mindanao problem. One is the condition set by the MILF [Moro Islamic Liberation Front] that the military forces leave the (Malmar) project construction area in North Cotabato. There is a cease-fire at present and the military is stationed 300 meters away from the construction site. Another dialogue is being prepared between the AFP [Armed Forces of the Philippines] and the MILF on 5 January.

Thailand

Government Alters Stance on Deporting Sin Song

BK2912132194 Bangkok Radio Thailand Network in Thai 1200 GMT 29 Dec 94

[FBIS Translated Text] Police Lieutenant Colonel Thaksin Chinnawat, the foreign minister, has reported

on the Thai Government's decision regarding the Cambodian Government's request for the repatriation of General Sin Song, who has been sentenced by a Cambodian court for a coup attempt. He said that after studying the Cambodian appeal court's decision, the Foreign Ministry's Treaty Department feels that the case against Gen. Sin Song is political. As a result, the Thai Government will not repatriate Gen. Sin Song to Cambodia. The foreign minister said the Foreign Ministry has already informed the prime minister of its position in writing. There are two possible solutions—the prime minister can refer the matter to a Thai court for a ruling on what should be done with Gen. Sin Song, or else the prime minister can make a decision himself.

Asked by reporters if Thailand will grant Gen. Sin Song political asylum to stay here, the foreign minister said the Thai Government is unlikely to do that because it still has good relations with the Cambodian Government. The Thai Government will only give Gen. Sin Song temporary shelter. So far no third country has offered to accept Gen. Sin Song.

Military Spokesman Opposes Arms Aid for Cambodia

BK3012061994 Bangkok THE NATION in English 30 Dec 94 p A 2

[FBIS Transcribed Text] The military is against any move by foreign countries to supply arms to Cambodian troops as it fears Thailand could suffer as a result, the armed forces spokesman said yesterday. If the weapons fell into the hands of renegade Cambodian troops they could use them against Thai villagers along the border, Vice Admiral Kraichit Sirisombat told a press conference at the Supreme Command Headquarters. Even without lethal military aid from outside, some undisciplined Cambodian soldiers already crossed the border to rob Thai villagers, he said.

"Since Thailand shares a long immediate land border with Cambodia, it will suffer the most from any adverse affects resulting from foreign arms supplied to Cambodian troops," said Kraichit.

The world community should try to contribute to the overall development of Cambodia by other means than supplying it with arms.

In the wake of frequent plundering of Thai villagers by Cambodian bandits, the Supreme Command has dispatched highly mobile crack units along the border to pursue them, the spokesman said.

Local villagers had also been warned not to cross the border into Cambodia since they could be caught up in the fighting between Phnom Penh troops and the Khmer Rouge, and not to conduct illegal cross-border business with Cambodians.

In the latest attack inside Thailand, a group of armed Cambodian bandits raided a restaurant in Aranyaprathet district of Sa Kaeo province early this month and

robbed the owner and customers. Two Thai policemen who tried to stop them were shot dead.

Cambodian authorities, in response to a request by their Thai counterparts, have launched a crackdown on armed gangs along the border and seized some weapons.

Army Chief: KR Smuggles Arms to Burmese Rebels

BK3012062594 Bangkok THE NATION in English 30 Dec 94 p A 3

[FBIS Transcribed Excerpt] The Khmer Rouge [KR], not the Thai military, is continuing the outlawed movement of arms and ammunition from the Cambodian-Thai border to ethnic minorities on the Thai-Burmese border, Army Chief Gen Wimon Wongwanit said yesterday. The army chief's comment was in response to press reports about the high rate of arms and ammunition smuggled from Cambodia across Thailand to be sold at Thai-Burmese border points to ethnic Karen minorities fighting to set up a state independent of Burma.

Wimon said that Thailand is dutybound to prevent those arms from being smuggled across its soil.

The army has a policy of severely discouraging its officers from engaging in smuggling weapons, he said, adding that repeated reports of suicides by Thai military arms runners caught in the act prove the strength of this policy.

Arms running is tantamount to murdering and killing innocent people because wicked people purchase and use the weapons, Wimon commented. He said the army has kept watch on smuggling movements but some have gone unchecked because it requires the cooperation of all sectors—military, police, and public. [passage omitted]

*** Surayut Views Defense Policy, U.S. Role**

95SE0042A Bangkok ATHIT in Thai 18-24 Nov 94 pp 56-63

[Interview with 2d Army Region Commander Lt.Gen. Surayut Chulanon; date and place not given]

[FBIS Translated Excerpt] [Passage omitted] [ATHIT] During the next six years, what steps will be taken to bring about harmony between the military and the people and really put the military on the side of democracy, and not just because the military is the tool of a democratic government? [passage omitted]

[Surayut] We must have a better warning system. Looking at the defense systems of other countries, they have a system of highly efficient reserve forces that can be called up at any time. In the past, the foremost country in this respect was Switzerland. Then came Israel. And in this region, the country that adheres to this view is Singapore. This is a possible solution that needs to be given attention in view of the fact that we need to reduce the size of our forces. We can reduce the amount

spent on regular forces and use a system of reserves. We can improve the quality of both our weapons and personnel. The regular army will be much smaller than now. This is something that needs to be considered. Everyone has a duty. But steps must be taken to ensure that they have an opportunity and that they understand. Establishing this system is the responsibility of the government. You may have heard the term "total warfare." People have been thinking about that for a long time. For us, such a system is in accord with the present situation. That is, it isn't necessary for us to have a large standing army. But our army must be ready to deal with any threat that may arise. [passage omitted]

[ATHIT] With respect to reforming the military, will the military reform itself or will politicians do this? Or is the present system fine, and should it be left unchanged?

[Surayut] [passage omitted] As for reducing the size of the military, that is something that the military considered. This idea was submitted to the government, and the government concurred. The military considered that issue on its own. As for ideas that have to do with defending the country, this is like a profession. Those in this profession will consider what changes should be made. Some units do not have a chance to consider and review things. But military units always have a chance to consider and review matters. Looking back at the role of the military or at the deployment of our forces, the period prior to 1957 was a period of preparation for defending the country. We joined SEATO. That was during that initial period. After that, we made changes in response to internal threats, that is, in response to the threat posed by the Communist Party of Thailand. We changed our training methods and table of organization. Now, we have made new changes. We have made preparations to deal with external threats. Along with this, we have established units to help other government organizations in development, particularly in remote areas. In the military's view, the military should play a greater role in development in remote areas, particularly border areas, than in other areas. We are very interested in those areas. We have to keep an eye on and give greater attention to those areas.

[ATHIT] To what extent has the internal apparatus of the military been reformed?

[Surayut] Great changes have been made. As senior officials have said, we will use computer systems in our command and reporting systems. What we want is the capability to react quickly if something happens. We want to know about things just after they occur. That will enable us to analyze things and give orders to the units responsible in those areas so that they can take action. This is similar to armies in other countries. Technology has made great advances. If we fail to keep up, we could be defeated by others. This is something that is very important. We have to upgrade both our personnel and our materials in line with the speed of information. You are in the news business and are probably well aware of

the fact that rapid advances are being made. The military must keep up. If something happens and we say that we don't have any information about that, that is not right. If something happens, commanders must monitor the situation closely. They must monitor things to see if we need to send reinforcements and to decide what advice should be given. If we don't know what is happening, we may give the wrong advice. That would be detrimental to defending the country.

[ATHIT] Looking at the technological and organizational reform being carried on by the Police Department, which is making major structural changes, including dispersing administrative power and reducing the number of command levels, is the military making any changes like this?

[Surayut] I don't know what Supreme Command or the other branches of service are doing, because I haven't had a chance to discuss this in detail with them. But as far as the army is concerned, the policy is very clear. That is, we must eliminate those elements that aren't needed, reduce the size of those elements that are too large, and build up those that need to be expanded. In the past, we focused on the combat elements. That is, we tended to give the most weight to the combat forces. Now, we need to give more attention to the combat support elements. There must be a better balance. Because occasionally, we have expensive weapons but can't maintain them properly. That's because those elements have not been given an opportunity to train. They have not been given sufficient funds or allowed to study the new technology. Thus, they can't keep up with things. That is bad. That is, we have the weapons, but their useful life is shorter than it should be. What needs to be eliminated must be eliminated; what needs to be improved must be improved. Military reform will differ from that of the Police Department, because we have a different role to play. The military's system is universal. Our role is, very simply, different from that of the Police Department. The police must satisfy the needs of the people. The military must be ready to respond to any threat that arises. That is the difference. Thus, the military is characterized by tight control. Soldiers must respond quickly to the orders given. The military is very compact.

[ATHIT] Often, businessmen and other people hear about military leaders becoming involved in politics, the reshuffle of military officers, and the purchase of weapons. But there are also many other questions. [passage omitted] Would the recruitment of only 18-year-old youths affect those of work age, who are the main strength of rural families? And if this does affect these people, does the military have any plans to use those two years of military service to develop the labor skills of these youths in order to turn them into skilled and disciplined laborers.

[Surayut] The issue of inequality will no longer be much of an issue, because we have designed a system based on

the total number of draft-eligible people in each province. This will take the form of percentages. Thus, it should not be thought that people in the rural areas are being treated unfairly. Those who live in urban areas have a chance of being drafted. But because of the relative size of the rural and urban populations, most draftees will come from rural areas. As for the draft preventing those of labor age from working and supporting their families, we understand this problem and are trying to provide them with more training in order to give them greater opportunities. We are trying to give opportunities to those human resources that serve the country. We are doing this now. For example, they have a chance to take non-formal classes in order to increase their knowledge. Those who have completed grammar school can earn a lower secondary school credential. We are now taking action on this. Beside this, they are being provided with the vocational training needed to earn a living once they return to civilian life. If they plan on working in the farming sector, we encourage them along that line. We have received good cooperation from the Occupational Development Department. If they change their minds and decide that they want to work in a factory, we encourage them in this, too. We provide them with a chance to gain broader perspective. At present, this program is available for all soldiers. They have a choice. This program was implemented about 10 years ago, and good results have been achieved. This is not just for regular soldiers. It is also for non-commissioned officers and their families. If a qualified person who has little education wants to continue his education, we encourage that. We encourage these non-commissioned officers to take extension courses leading to a bachelor's degree. In my view, recruits have a better opportunity than others after they complete their two years of military service, because they have a chance to improve their capabilities and those of their families. To put it simply, they will be citizens who are better prepared than those who have not undergone training. [passage omitted]

[ATHIT] There is mutual suspicion in the Asian region.

[Surayut] There are a few problems. There are some problems that we have not been able to solve. But because our forces are about evenly matched, it isn't very likely that force will be used to solve these problems. This is because if two fighters are evenly matched, it's better to sit down and talk things over. (laughs) It's better to reach an agreement and cooperate on the economic front. That is a bargaining chip to show that we are not inferior to them.

[ATHIT] In this atmosphere, have Asian countries ever thought about negotiating a reduction in military forces. If no one has ever considered this (besides requesting that the list of weapons of the ASEAN countries be disclosed), is there any chance of Thailand taking the initiative on this?

[Surayut] To date, no thought has been given to limiting weapons in the Asian region. What we are afraid of is an

increase in the military influence of those countries that have economic power. This refers mainly to Japan, China, and India. Those are the countries that have great potential in this region. We will have to continue monitoring things, because this is something that is rather difficult to see clearly. We must monitor this constantly. This is a strategic matter. It will take time. It's impossible to determine exactly what will happen.

As for listing the weapons in ASEAN, that may stem from the concern of certain countries that feel that modern weapons are now being stockpiled here. But it will be difficult for them to exert pressure, because that is an old issue and no clear resolution was ever issued. Actually, there is such a list. The English publication JANE'S DEFENSE REVIEW has published a list. They have data on the weapons systems of every country that they publish. Anyone who wants such information can buy their publication. Their data are quite accurate, because they monitor things constantly.

[ATHIT] Japan has developed its navy and now has the largest navy in this region. This may be causing concern in this region. Are there any new thoughts in this region on how to deal with this?

[Surayut] As for possible conflicts, conflicts could arise in the South China Sea over the issue of the Paracel and Spratly islands. Many Southeast Asian countries are involved. The important problem is the issue of ship routes. Japan is very concerned about this. This is because Japan depends on raw materials from abroad that are transported by ship. They must take steps to develop on this front in order to maintain their life line. Unless people take steps to protect what is vital to them, anything could happen. People must protect the vital interests of their country. We can, however, determine if they plan to increase their capabilities for offensive purposes. As long as this is limited to naval forces, the chances of their invading another country are small. The main forces are the ground forces. We must keep an eye on this.

[ATHIT] What about China?

[Surayut] The same is true of China. They are involved in disputes. But their navy is not strong enough for them to use military force to resolve the disputes concerning the islands.

[ATHIT] China's ground forces have been developed. Is that a sign of anything?

[Surayut] So far, there haven't been any signs, because China has reduced the size of its army. It has focused on modernizing its army. In the past, they focused on using a people's army and planned to wage a guerrilla war if they were threatened. But today, China has made changes. They have reduced the size of their standing army. It now has greater efficiency and a better weapons system.

[ATHIT] The United States asked to use the Gulf of Thailand as a site for a floating armory. From a military standpoint, how is this related to the situation in this region?

[Surayut] Thailand is in the middle. Concerning the view of the United States, in Asia there are two points, that is, the Far East and the Middle East. Today, there are problems in the Middle East. The United States has had to mobilize men and other resources to help Kuwait. In the Far East, steps have been taken to solve the problems. For example, an agreement has been reached to resolve the issue of North Korean nuclear weapons. Thailand is in the middle. As for the spots that still present a problem, the United States probably feels that if possible, it can use sites in this area in place of the bases that it lost in the Philippines. The Philippine bases were of great strategic importance to the United States. We don't know how they plan to replace those. But if that takes the form of an armory or military base, the suitability of that will have to be discussed by senior officials. Senior officials will have to determine if that would affect political relations with neighboring countries and other countries in this region. Just as during the time of former Prime Minister Khukrit, this is something that the government will have to consider and reach an agreement on. (Later on, the Thai government decided to deny the request made by the United States.)

[ATHIT] But the Singaporean minister of defense, who met with the prime minister here, has said that the ASEAN countries want the United States to continue playing a security role here.

[Surayut] I think that many countries agree that the United States should continue playing a military role in this region. This is something that can be discussed from several angles. This includes conflicts both within the region and outside the region. Singapore is a small country. If the United States provides security in this region, that will benefit Singapore. Singapore will definitely try to induce the other members of ASEAN to go along with this. That is only natural. But as for establishing a military base or armory in a country, they can't put much pressure on us. That is the internal affair of Thailand. That is for us to decide. Overall, we agree that the United States should maintain its military power in this region, because there is no one who can solve the problems if the United States withdraws its forces and takes no interest in this region. The United States feels that it has an understanding with Thailand. Thailand and the United States signed the Thanat-Dean Rusk agreement. This agreement between Thailand and the United States, which provides advantages on the security front, is still in effect today. Even some of our views on armories stem from this. But that is a ground armory at which Thailand and the United States have stored ammunition and parts. If one country wants to use something from this armory, it must inform the other country, that is, the other party to the agreement.

[ATHIT] That has already been built, is that right?

[Surayut] That's correct. But I can't disclose the location. (laughs) But it has been completed. There is a joint agreement.

[ATHIT] Is this the reserve armory that is being talked about?

[Surayut] Yes.

[ATHIT] When was the reserve armory built, and how long will it remain in existence?

[Surayut] It was built several years ago. No time limit has been stipulated. But we must store things in accord with the regulations within a certain period of time. I think that that has already been done. I don't know all the details, because the Supreme Command is in charge of that. If necessary, we can use materials from the armory, but we have to inform the United States. Similarly, the United States can't station troops here but it can use materials from the armory. But it must inform us and then replace the materials.

[ATHIT] Is the United States now returning to Asia because it wants to protect its economic interests in Asia, which is the fastest growing region in the world, or because it wants to block the expansion of Chinese influence?

[Surayut] In my view, the United States is very interested in the Asia-Pacific region. This includes the matter of APEC, which is now holding meetings. Obviously, whenever someone is interested economically, investment will follow. This is a matter of interests. They will then have to take steps to protect both their investments and their people. We can't avoid this. But what can be done to defend against others? That is not an easy question to answer at this time. But at the very least, it is quite clear that the United States opposes militarily powerful countries that want to invade countries that are weaker militarily. An example is Kuwait. And there are the countries with political problems. They oppose countries that have toppled the elected government. In some cases, they may use military forces to intervene. Haiti is an example of that. In some cases, people may feel that that is not right and that they are using force to put pressure on others. That all depends on your point of view.

[ATHIT] Do you think that the main reason why the United States is intervening in this region is the spread of Chinese influence?

[Surayut] They have invested heavily in China. Steps have been taken to restore military relations. The American secretary of defense visited China. And there is now talk about the degree of American-Chinese cooperation on the security front, particularly with respect to weapons technology. There are some who say that the United States should not be cooperating with China on this. They are afraid that if China has similar technology, that might make things difficult for the United States. Such criticisms are coming not only from Thais but also

from some Americans. We have to consider whether they will be able to cooperate on this front. This concerns the American economic system. The large American arms companies or plants want to survive. That means that they will have to sell their products. How much will they be able to sell? It depends on the types of technology that they will be permitted to export.

[ATHIT] The United States has criticized Thailand on the narcotics issue and the Cambodian situation. Does this mean that relations between us are deteriorating? And what is the real situation with respect to relations between Thailand and China, which seem to be moving closer and closer to each other?

[Surayut] I don't think that this should be viewed as a deterioration in our relationship. The prime minister received a warm welcome from President Clinton.

[ATHIT] But on several occasions, the army commander-in-chief, General Wimon Wongwanit, has said that the United States is not our "father."

[Surayut] (Laughs) That concerned specific incidents. But for the long term, with respect to strategic issues, our economic, security, and political ties to the United States will remain quite firm. At present, our relations with China are good. As we have said, in international politics, we must consider what distance to keep from China and what distance to keep from the United States in any given situation. [passage omitted]

Credit Rating Improves as Result of Stability

BK3012062194 Bangkok *THE NATION* in English 30 Dec 94 p A1

[FBIS Transcribed Text] Standard & Poor's, one of the world's two leading credit-rating agencies, has raised its rating of Thailand's long-term foreign currency-denominated debt to A from A- and affirmed Thailand's commercial paper rating at A-1, the agency announced yesterday.

As a result, the long-term foreign currency rating of Industrial Finance Corporation of Thailand was also raised to A from A-.

The long-term rating outlook is stable. The announcement said the upgrade reflects the maintenance of Thailand's comfortable external payments position and the consolidation of civilian-led democratic rule since 1992.

Underpinning the rating are the country's strong underlying economic fundamentals—a manageable inflation rate, stable macroeconomic policies, and a well diversified economic base in exports, output and sources of

investment—as well as the stability of Thailand's social structures and the strength of its entrepreneurial and technocratic elites.

The rating remains constrained, however by Thailand's considerable infrastructure financing needs and its growing reliance on external debt.

The political outlook is more stable than it has been for some time with continuing public support for civilian rule and Prime Minister Chuan Likphai's improving popularity, despite slower-than-hoped-for progress in constitutional reform and key infrastructure projects in Bangkok.

Military intervention remains highly unlikely in the foreseeable future.

Reflecting the strength of the economy and competent leadership even in times of political disturbance, economic growth has continued at impressive rates, just short of the double-digit rates of the late 1980s. The pace continues to be set by an increasingly diversified manufacturing export sector.

Despite the political changes of recent years, there has been little discontinuity in economic policy, with the central government registering a cash surplus for the sixth consecutive year in fiscal 1994, equivalent to 1.1 per cent of the GDP, and monetary policy consistently directed as ensuring macroeconomic stability.

Thailand's current account deficit remains at about five per cent of the GDP, but is easily financed by foreign capital inflows.

While private sector foreign borrowing has seen the country's net external debt in proportion to exports grow from 31.8 per cent to 46.4 per cent over the past five years, these levels remain manageable and are below those of a decade ago.

The public sector's gross external debt has grown only slightly in nominal terms in recent years, despite an upsurge in external borrowings by state-owned enterprises.

The comfortable level of official reserves puts the public sector in a strong position as a net external creditor, at 32.5 per cent of exports.

The rating outlook is stable. Thailand's medium-term prospects continue to be favourable, with the authorities expected, over time, to make the policy adjustments necessary to sustain economic growth as increased competition from emerging producers elsewhere in the region, with low costs and abundant resource endowments, erodes the country's traditional areas of comparative advantage.

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